

24  
01  
89  
37  
44  
07  
95  
11  
32  
25  
52  
8  
4  
6  
0  
3  
3  
8  
3  
1  
0  
7  
3  
3  
2  
0  
0  
0  
1  
1  
7  
3  
6  
0  
1  
7

h...  
);)  
);)

## AND FINANCIAL MANAGEMENT



The awards of Associate and Fellow of the National Institute of Credit are becoming more and more recognized as the professional hall-marks of the qualified credit manager.

Ask For  
This Book

#### ACTIVE CHAPTERS

ALBANY  
ALBUQUERQUE  
ATLANTA  
BALTIMORE  
BOSTON  
BUFFALO  
CHICAGO  
CINCINNATI  
CLEVELAND  
DENVER  
DES MOINES  
DETROIT  
EL PASO

GRAND RAPIDS  
HARTFORD  
INDIANAPOLIS  
LOS ANGELES  
LOUISVILLE  
MEADVILLE  
MILWAUKEE  
MINNEAPOLIS  
NEWARK  
NEW YORK  
OAKLAND  
OKLAHOMA CITY  
OMAHA

PITTSBURGH  
PROVIDENCE  
RICHMOND  
ROCHESTER  
ST. LOUIS  
ST. PAUL  
SAN DIEGO  
SAN FRANCISCO  
SIOUX CITY  
SYRACUSE  
TOLEDO  
UTICA

#### CHAPTERS PLANNED

BINGHAMTON  
DALLAS  
DAYTON  
EVANSVILLE  
FORT WORTH  
HOUSTON  
KANSAS CITY

NEW HAVEN  
NEW ORLEANS  
PEORIA  
PHILADELPHIA  
PORTLAND  
SIOUX FALLS  
WORCESTER



Symbol of Achievement

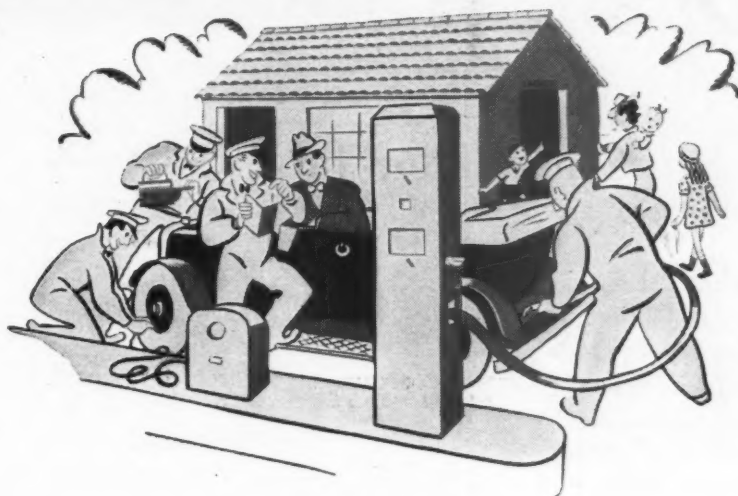
# National Institute of Credit

ONE PARK AVENUE

NEW YORK

# *A Dollar's Worth of Gas, please...* (and a Dollar's Worth of Service)

**...AND HE GETS IT WITH A SMILE**



**C**ALL the service roll. This customer wants them all—air, water, windshield (don't forget the battery) rest room, road maps, an opinion on the weather, the use of a few tools. And he gets it with a smile because the modern service station is typical of American business enterprise, justifying a slight profit by providing convenience, speed, and the reliable products which go along with friendly service. It's a typical American institution, like nothing else in the world, yet part of the profit system, independent and vigorous.

When the local service station, repair shop, garage, or automotive dealer buys insurance from the experienced agent or broker of a stock insurance company, he does not say, "\$50 worth of insurance, please."

He asks for and gets the advice and full service of an expert purchasing agent in the complex insurance field, like himself an expert middleman. No worries about uncovered risks that might wreck a business.

\* \* \*

Because we believe so thoroughly in the services of an expert middleman whether service station, expert repair service, or automotive dealer, we refuse to accept business direct because it is not in the interest of the Company or the assured to do so. When *you* buy National Surety Fidelity Bonds, Surety Bonds, Burglary or Forgery Insurance through your local insurance agent or broker, you deal with a customer and friend who is a fellow member and supporter of the American Business System.

---

● This is a reprint of an advertisement of a stock-insurance company directed to the independent business men in the automotive service field in your city.

---

## NATIONAL SURETY CORPORATION

VINCENT CULLEN, *President*

---

*When writing to advertisers please mention Credit & Financial Management*

# Credit

AND FINANCIAL MANAGEMENT

## Contents for July, 1939

Lest We Forget (Editorial).....	Henry H. Heimann.....	4
Contingent Liabilities.....	Henry H. Heimann.....	6
Little Junior What Now? (Tregoe Essay Winner—Class A).....	Harold J. Berthold.....	9
Accounting Information for Credit Purposes (Tregoe Essay Winner—Class B).....	Albert Siegel.....	12
Bad Debt Loss Survey—II.....	J. Harold Stehman.....	15
Cartoon.....	Maurice Freed.....	19
1939 Adds to N.A.C.M. Traditions.....	President Dan I. Bosschart..	20
First Year of Chandler Act.....	Paul H. King.....	24
New Source of Credit Information.....	Laurence E. Falls.....	30
News About Credit Matters.....		33
44th Credit Congress Is Traditional Success.....		37
Charles A. Wells New President.....		39
Convention Pictures.....		41, 42, 44, 46
One Hundred Attend Foreign Trade Luncheon.....		41
Institute Teachers Hold Congress Session.....		41
Musical Treat Opens Convention Program.....		52
The Business Thermometer.....		53

*Manufacturers' Sales, Collections and Accounts Receivable*  
*Wholesalers' Sales, Collections, Accounts Receivable and Inventories*

Cover: Photograph by S. Wolpert, 4 Prospect Ave., Glen Cove, N. Y.

### Official Publication of the National Association of Credit Men

One Park Avenue, New York, N. Y.

1309 Noble Street, Philadelphia, Pa.

**Richard G. Tobin**  
Editor and Manager

**Paul Haase**  
Associate Editor

**Clifford T. Rogers**  
Advertising Manager

ESTABLISHED 1898

VOLUME 41, No. 7

Published on the fifth of each month by the National Association of Credit Men, 1309 Noble Street, Philadelphia, Pennsylvania. Entered as second class matter December 22, 1933, at the Post Office at Philadelphia, Pa., under the Act of March 3, 1879. Subscription price, \$3.00 per year, 25c per copy; Canada, \$3.50; all other countries, \$4.00 postpaid. Copyright, 1939, National Association of Credit Men. The National Association of Credit Men is responsible only for official Association statements and announcements printed herein.

## THESE LETTERS GIVE HIGH PRAISE TO HENRY HEIMANN'S NEW BOOK

Several Hundred NACM Members Who Sent Pre-Publication Orders for *AMERICA'S BALANCE SHEET* and Received the First Copies Off the Press Are Enthusiastic in What They Say About This New Book by Our Executive Manager:

"Your fine book, *America's Balance Sheet*, arrived yesterday and I spent two very pleasant hours last night looking it over. It certainly is exceedingly interesting and instructive. The second copy doubtless will be coming along soon."

"My autographed copy of '*America's Balance Sheet*' just reached me this morning. I am delighted with it. I was certain that this effort on your part would be tremendously worthwhile, but I am pleased to state that it exceeds my expectations. I sincerely hope that this book will be read by a large majority of our membership and the public generally, and that you will find it necessary to have more than one reprint."

"*THE BOOK* came Saturday, and to say that I am pleased with it is putting it very mildly. I am delighted with it. I took it home Saturday evening and the boys immediately took it away from me and started reading it and I haven't had a chance at it at all, but you can rest assured that it will always be one of my prize possessions."

"This book is certainly well compiled and is a great credit to you. It would have been just too bad to have had all these splendid writings of yours not put into book form so that the business world might have the benefit of your wise and helpful counsel and advice."

*If You Would Like to Look Over a Copy of Mr. Heimann's New Book and Determine for Yourself if You Would Like to Have it for Your Business Library, Just Fill in the Coupon Below and Mail it Today:*

Publications Department,  
National Association of Credit Men,  
One Park Avenue, New York City

Please send me a copy of Henry Heimann's new book "*America's Balance Sheet*" on five days approval. I will pay your invoice for \$3.00 or return the book.

Name.....Firm.....

City.....State.....

### A SYLLABUS OF ECONOMIC THOUGHT

A Businessman Discusses Some of the Problems of Credit, Commerce, Government, Industry, Banking, Labor, Finance, Agriculture, People.

An Attractively Bound 368 page volume, chock full of stimulating thoughts on various phases of economics as applied to the everyday jobs of working executives.

Business and financial editors in many sections of the country cite Henry Heimann's statements on credit and financial subjects. One editor in commenting on one of these statements, said,

"The tragedy is that we have too few Heimanns and too many Tugwells who have the pilot's ear in the effort to ride out the storm."

## Lest We Forget

**ON** Grim reminders of the late World War meet us in our daily life but sometimes it appears we are not fully conscious of the consequences of that war. It cannot be denied that, basically, most of the world's problems are attributable to that great conflict.

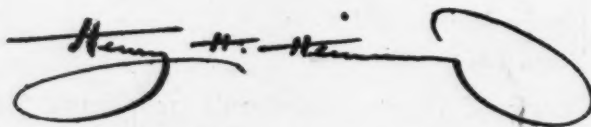
There has been no really sound sustained recovery since the war. For a time after peace had been declared, it appeared the world might be making progress, but the trade recovery that occurred resulted from unsound credit. Europe borrowed heavily in those years. Today Europe is still owing heavily and in many instances defaulting on its credit obligation.

In the twenties, we seemed to prosper in this country. But that recovery was largely based upon unsound domestic credit inflation.

The serious consequences of the past world conflict include a break-down of sound monetary policies, an almost total absence of a reliable international medium of exchange, faulty distribution of gold, resort to barter practices and expedient bilateral pacts, as well as an unsound moral attitude towards debt. Little wonder the world is in an economic maelstrom.

Add to these world-wide problems certain unsound domestic policies and you have the serious situation that now confronts us.

If we kept ever before us the fact that a conflict such as the World War destroyed values which it will take perhaps half a century of work to recreate, produced mental and moral shocks which only time can cure, our approach to a contemporary recovery might be more realistic. We might think less of magical, rabbit-out-of-the-hat ways of recovery, more of the previously tried and proven means, realizing that our fall from the pre-war prosperity levels was not due to an economic system that withstood the test of the years, but rather to the fact that no economic program can withstand a conflict so destructive as the late World War.



Executive Manager, N.A.C.M.

## LONG DISTANCE strikes a note of harmony in credit work

. . . because it's *personal, two-way, direct.*

Long Distance telephone calls permit the credit executive to meet many of his problems in a clear and *human* way. And the customer at the other end of the wire is gratified because he can express his point of view freely and frankly.

For credit inquiries, collection work, discount discussions, and the adjustment of complaints, many credit men are turning to Long Distance. They find that it makes for better understanding . . . builds and keeps customer good will.

It's *fast* . . . and particularly *economical* in the light of the efficient job it does.



*When writing to advertisers please mention Credit & Financial Management*

# Contingent Liabilities

## What of the Trends Which May Affect Our Future?

By Henry H. Heimann, Executive Manager, National Association of Credit Men

**C**Self-assurance is a typical American trait. Our people possess an abiding faith in their nation and its continued progress. At times this quality of individual and national confidence has been misconstrued in foreign countries. Only an American would know his fellow citizen is not assuming a smart-aleck pose when he speaks of the bigger and more beautiful things of his country.

History gives a number of reasons for this self-assurance. As a nation we have perhaps made the greatest material progress in the shortest space of time. No other country in the world approaches our record. Nature has been kind to us; much more kind than we have been to Nature. Our pioneers found a deposit of minerals such as adventurers had dreamed about but never laid eyes upon. Our fuel supply seemed inexhaustible. The fertility of our soil has enabled us to feed not only our own people but also many others throughout the world. Our water resources are so abundant that their full utilization is still in the future. Our climate is varied and favorable to agriculture of almost every type.

### *Natural Resources*

Too frequently, however, many of our people do not realize that the mere possession of all these natural resources does not necessarily constitute a blessing. The means for their utilization must be at hand. And in putting these resources to use, sometimes an overabundance leads to extravagance and waste. Long before we realize fully how we have sinned against Nature, through waste and extravagance, we directly or indirectly pay the penalty. But with all of our exploitation it cannot be said that, as nations are evaluated, we are seriously impoverished in any of the great natural resources. Quite the contrary, we can still have available, under a proper conservation policy, natural resources for many future generations to enjoy.

But natural resources alone do not make a nation. Such progress as we have made has not been due solely to the providential character of our land. Russia, even though not so agreeable in climate, is abundantly blessed with many natural resources, and possesses almost limitless frontiers. Brazil, a nation larger in size than our own country, has a vast array of natural resources. To the south of us is Mexico, amply endowed with nature's gifts. But Russia, Brazil and Mexico do not afford the opportunities to their people that ours enjoy. Possessed as they

are of these tremendous resources, their people are not privileged to enjoy a general standard of living like that of the average American.

### *Not What We Have But How We Use It*

No, indeed, it is not what a nation has; it is how it is used that matters. In addition to natural resources there must be the means, will and incentive to utilize them. Needed are the transportation facilities to reach those resources. We have a fine network of rails and roads crisscrossing the country. Isolated places are the exception. We have a people who are ambitious and who, until recent years at least, were willing to translate that ambition into hard work.

On the whole we have been a tolerant people. The poison of prejudice finds little use in America. We have an educational system which makes available an education that only a few were privileged to enjoy a century ago.

We have had a young and virile government. In recent times, however, we seem to have been at issue with the simple doctrine that that nation is governed best which is governed least. For generations we had a respect for public office that enlisted the services of our finest citizens. To serve your government was not only an honor but a distinct privilege. We have freedom of speech and assembly which more recently has sometimes been abused but which we cherish nevertheless. We are tolerant of its abuse because we thus emphasize its existence as an important reality.

### *Ours Is World Leadership*

For years we had a taxation levy that was the envy of the world. Government needs were small and a wealthy country, with its many individual opportunities, made for a large aggregate of income. We witnessed a business expansion and development in this country that gave us the world's commercial leadership. The American business man emancipated his fellow citizens because he helped bring a standard of living higher than any other country had been able to bestow. So doing he merited and won for his group a social standing that for centuries had been denied to those engaged in commerce and trade.

Even as a young nation in scientific fields we have developed remarkable leadership. In exploration our adventurers have rivaled those of the centuries.

We have had credit in abundance and we have had a respect for obligations. Our paying experience record is

one that any nation might be proud of. Today we possess over half of the world's gold, more than any other nation has had within its boundaries since the creation of man. It is a fact that we have too much gold; but its redistribution must await political stability and a return to productive enterprise throughout the world. Indeed, if redistribution were accompanied by a moral reawakening as to the sacredness of obligations, it would go far to insure political stability and world recovery. We cannot enjoy a sound prosperity with the rest of the world impoverished. We have possible credit expansion, based upon this gold, of a size that staggers the imagination. Properly used it can help us reach a new peak in business prosperity, a standard of living not deemed possible of attainment.

#### ***We Still Have Big Problems***

We have our share of poor but, nevertheless, on the average our people are better housed, better clad, and better fed than citizens of any other country. An automobile is a necessity to the average workman and he is not only privileged to enjoy it but does enjoy it. A modern, middle-class home would be a "show-place" in some foreign countries.

But despite the possession of these assets we have our problems, and even though those problems may be relatively temporary they are none the less real. Because of the vast natural resources and the personal qualities we possess as a nation, we have in times past been able to do the unusual. Our progress has been swift; our life happy and comfortable.

We still possess vast material assets. But in recent years our continued forward march has been interrupted. For the first time some of our traditional self-assurance is being put to a test. Why should there be 10 million unemployed, people in want, gloom in business, and confusion in government. Why should a nation so endowed with treasures be lacking in confidence? These are the puzzling problems of the age.

#### ***What of Our Liabilities***

The truth is that it is idle to speak of our natural resources and other assets, to feel smug over their abundance, unless we examine the liabilities that offset these assets or that certainly constitute a charge against them. I have indicated that other countries, possessing tremendous assets, have not made similar progress. Their failure to progress has been as much due to a dearth of some of the qualities inherent in our people as to an absence of the means of conversion of great natural resources.

Have we in the past decades developed liabilities that are not clearly set forth in our national balance sheet?

Are forces undermining the solid foundations of our democracy? What adverse influences keep us in a state of turmoil and mental unrest?

Every credit executive knows that if one were to appraise a balance sheet without giving consideration to the intangible factors, never disclosed but nevertheless present, such an appraisal would be incomplete, faulty. We hear much of our nation's asset position but little of our liabilities, excepting the staggering amount of debt. Few people seem to realize there can be certain liabilities more potent than debt. No balance sheet ever constructed could wholly disregard human nature and its reactions.

#### ***Causes of Our "Jitters"***

It is easy to contend that our jitters are due to mental attitude. This does not, however, give a satisfactory answer to the facts causing our mental attitude. A mental attitude rests upon certain basic laws, not the least important of which is that of self-preservation which, after all, is the first law of human nature. Almost anyone can see contingent liabilities that unbalance our otherwise perfectly-constructed balance sheet. And until these contingent liabilities are removed or checked, all the planning and the programming must be of little avail.

What are some of these contingent liabilities?

The first I will describe as our changed attitude towards work. No longer do all our people look upon the opportunity to work as a blessing. This nation was never built by drones. We have not been a nation of indolent, slow-moving people. As a matter of fact, the pace here may have been too fast in times past, but if one must choose between the former attitude of more work and less play and the recent approach of less work and more play, there can be no question that the former attitude was sounder.

#### ***What of Restricted Production?***

Coupled with this growing indifference to work is a fallacious viewpoint of production. A nation that has restricted production, as a result of programs launched and defended by its governing officials, is not in a very healthy economic state. Such restriction is a contingent liability. America has had the highest standard of living ever developed because it has, in times past, enjoyed the greatest distribution of goods among the mass of the people that has ever been known. But if production is constantly limited artificially there will be fewer goods to distribute. Since population is still increasing the inevitable outcome must be that our people will have less goods to consume or utilize. If ever there was a planned program for a lower standard of living it is our restrictive production program.

### **Credit Congress Keynote**

Herewith is presented the address of our Executive Manager at the opening of the 44th Annual Convention of the National Association of Credit Men in Grand Rapids on June 11th to 15th. Excerpts from this address were printed in many newspapers in all parts of the country. As it was considered one of the most important declarations at any recent Credit Congress, we present the text of Mr. Heilmann's address in full.

The Editors.

Besides this limitation of production, accompanied by our changed attitude toward work, we are constantly shortening the hours of work. Not always, however, as in the past are they being reduced within the limits of sound economic laws. The reduction of hours of labor should be accomplished by the better utilization of machinery and increased personal efficiency so that the unit output of production in the shorter period of working time nevertheless equals or exceeds the production realized when hours of work were longer. In recent years, however, there has been a false philosophy about the effect of machinery on unemployment, about the influence of short hours on re-employment and about the contribution of shorter hours to our standard of living.

And there has been a total disregard generally of the increase of employables when we give consideration to the number of unemployed. As a matter of fact, there are almost as many people working today as heretofore but the large increase in people available for work has not been absorbed.

#### ***Liabilities in Government***

In government we have developed, besides certain positive attributes, some very definite contingent liabilities. No longer is the policy of as little government as possible followed. Argument upon argument has been put forth that American business needs more policing, that with advancing civilization government necessarily becomes more complex. It is probably true that an advancing civilization calls for a great measure of regulation but such a growth must parallel, not exceed, the advancement of civilization and the growth of industry. When it gets too far ahead of the progress of civilization, instead of acting as a guide it becomes a definite liability to business and a barrier to prosperity.

A growing bureaucracy disturbs the ambition of men. It nurtures a mental attitude of discomfort about government. An ubiquitous government stimulates a national fear-complex and a national fear-complex develops not only frightened capital but also timid citizenship.

Science has done much to advance civilization, but frequently science has found us wholly unprepared to properly direct the benefits that can flow from scientific effort. Modern communication, radio, wide circulation of the press, are all blessings. They can integrate for the common good. They have been helpful in our educational development. But they have also been responsible for the creation of mass thinking. This would not be a noticeable liability if all our problems were common to every age, but when new problems arise hard individual thought is more certain of bringing a sound solution.

#### ***"Rabble-rousing" Dangers***

In our political life, during the early years of our history, a great deal more party regularity prevailed. This brought with it certain objectionable practices but by comparison it would appear these practices were less objectionable than those that issue out of an almost total absence of party regularity. Where there is a greater measure of party regularity, party responsibility is more prevalent and public rewards are more frequently given to the deserving. When there is little party regularity or responsibility, a premium is placed upon "rabble-rousing." A reasonable degree of party regularity is not in

itself an evil; the evils and abuses have crept in because we have been lax in our duties of citizenship and have been "too busy" to safeguard our party principles from corruption.

These are some contingent liabilities that have developed in our time. When we appraise the assets of this nation we must not be forgetful of these liabilities. And because these liabilities are contingencies, because they have largely grown in the past few years, the habit of accepting them without challenge has fortunately not been formed. It is, therefore, not a hopeless situation.

We must have the courage to keep government within bounds, to re-establish dignity of public office, and to resort to some hard-headed thinking about realities. We must welcome every contribution of science but direct it along sound lines. We must recognize the potential influence of credit and husband it for our future needs. We must consider the implications of leisure time and enact a program that will develop a more healthy outlook on life and build a strong citizenship, physically and mentally.

Our educational program must have the constant objective of a happy and more comfortable life. We must indicate our appreciation of the freedom we have inherited by vigilantly challenging any movement that would circumvent it. In our politics we must strive for greater party responsibility so that issues may be well-defined in debate before being decided at the polls. The rewards of life must be more equally distributed between different segments of our people and at all times we must strive to insure the continuation of a full measure of reward for industry, thrift and alertness.

#### ***We Seek More Abundant Life***

We must be less impatient, less selfish—for the only objective worthwhile, perhaps the whole purpose of life, is to leave this world a little better place than we found it.

There is a great deal of evidence abroad in the land today that we are very conscious of our problems and I have no doubt that they will be successfully solved. The experience of the past few years is convincing us that the only sound way to a real enjoyment in life is along the traditional ways, when those traditional ways are based upon sound principles of justice and have been instrumental in furthering the progress and welfare of mankind. Learning this lesson fully, costly as it may have been, one cannot arbitrarily say that the cost was not worthwhile if it was necessary.

We do have faith in America; we must have faith in our ability to organize a program of recovery that will be sound, one that will contribute materially to our welfare. And finally, the strength of this program must be re-enforced with a spiritual bondage. We must "Render therefore unto Caesar the things which are Caesar's and unto God the things which are God's." Respect for the rights of men—recognition of God—these must be the foundation stones of progress in human welfare. There can be no substitute—as business executives, as citizens, as men and women we must accept and live that principle if we hope to go forward as individuals and as a nation.

**Other addresses at 44th Credit Congress will be found on Pages 20, 24 and 30. For other Convention news refer to page 37**

# Little Junior What Now?

## Prize Winning Essay in Class A in 1939 Tregoe Memorial Contest

By Harold J. Berthold, Federal Reserve Bank, St. Louis, Mo.

With this question on the minds of many junior credit men as another school term comes to a close, it might be well to give the matter some serious thought; take inventory so to speak, to bring to light any phases in which we may be delinquent so we may concentrate on improvement of these phases.

Since the beginning of the twentieth century, credit has expanded so rapidly that virtually every manufactured article today changes hands on a credit basis from three to a dozen times before it is ever offered for sale to the consumer. With the expansion of credit, the responsibilities and opportunities of credit men have also expanded. In a day when the proper administration of the credit department frequently means the difference between profit and loss at the end of the year, credit management has rightly taken its place as a major executive function. Credit men, during the last thirty years, have gone far towards developing a professional technique and establishing a professional status.

Many firms have not yet recognized the importance of the credit man. The reason for this is evident when you stop to consider that salesmen, adept at selling themselves as well as their product, are better able to convince the management that their end of the business is the more important. In addition, optimistic by nature, they can present a hopeful picture to the management, already salesminded, whereas the credit man, facing facts, sees a different picture and is censured if he turns down an account. The situation is further aggravated by the fact that, due to the depression and the necessity of cutting expenses wherever possible, managements have not seen fit to make expenditures unless there is a visible possibility of an immediate return on their investment.

This condition is bound to be corrected in the near future. Intelligent business men cannot continue to overlook the fact that improper handling of credits can greatly handicap their sales as well as profits. If their credits, representing the ultimate completion of the greater portion of their sales, are left to the discretion of salesmen, the salesmen become cautious, lose their optimism and in turn their ability to function most effectively. On the other hand, bookkeepers, stenographers or minor clerks

do not have sufficient background of education and experience to handle credits most efficiently.

### *Lack of New Information*

Then too, there are still some credit men content to trudge along in the same rut they have been following for the past twenty or thirty years, self-sufficient in a belief they can learn nothing new about credit practices. These men, turning down business simply because they are either unwilling or unable to fully explore a case, are no credit to the credit profession, and, by their own actions, are writing their own obituaries as credit men.

These signs indicate the need for efficient credit men in the near future. It will be the responsibility of juniors of today to so prepare and so conduct themselves as to be able to accept the challenge and warrant the recognition of their profession, that the efforts of their predecessors be not in vain. They must strive to improve present practices where needed and to maintain a high standard of practice at all times. To get an idea of the task ahead, let us try to visualize a typical credit man and some of his



problems.

It would seem that the typical credit man should be a man of character to be able to recognize character, one of the original three Cs of credit, in others. He should have a fundamental knowledge of accounting, economics and business law in addition to a knowledge of credits. He must be honest and sincere to command the respect of those in his own organization, his customers, and his fellow credit men. He should have a spirit of adventure and be ready, willing and able to explore cases and consider all sides of a problem fairly and impartially.

### *What Is Safe Credit?*

Let us bear in mind that there is no such thing as a safe credit. There is an element of risk in every credit granted, although the degree of risk may vary. Judging of the degree of risk involves the determination of the chances and likelihood of loss and the probable ways in which trouble may occur. The efficient credit man, to minimize the degree of risk, should be able to thoroughly

analyze and interpret each case submitted to him. To do so, he should have all the information obtainable on his customer. He should maintain adequate credit files which should contain trade and interchange reports, financial and operating statements for as many years as available, data submitted by salesmen, a record of performance with his house, copies of correspondence with the customer, clippings from newspapers and periodicals dealing with the customer's affairs and memoranda of any bits of information he may pick up about the customer.

At the present time with smaller margins of profit prevailing as the result of keen competition, too much stress cannot be placed on the importance of thorough analysis and proper interpretation to get as much volume for the business as possible. It must be remembered that the margin of profit of a manufacturing or wholesale business is not in its sales to cash and AAA1 customers. Every house wants to sell these customers and, as a result, the customers are inclined to become independent and "shop around", feeling under no obligation to any particular house. Thus more time and effort may be required to secure the account, tending to reduce the margin of profit on the individual sale. On the other hand, the marginal risk customer, being unable to secure credit so readily, will feel inclined to continue dealings with a house treating him satisfactorily. The sales to cash and AAA1 customers are needed as a backlog to carry the burden of overhead expenses of your company, but there is not a sufficient number of these customers to go around. The margin of profit, therefore, must be realized from sales to less satisfactory risks.

#### ***Must Seek Way Out***

An efficient credit man should not be satisfied to approve a credit merely because it appears to be satisfactory on its face, but should test for weaknesses. Neither should he reject a seemingly unsatisfactory credit until satisfied that the condition cannot be corrected within a reasonable time or the profit to accrue from the account in the future would not justify the effort involved in trying to correct the situation. Turning down a credit when the trouble is only temporary or capable of being remedied, is to close the doors to any future dealings with a future satisfactory account. The credit man on his toes will give favorable consideration to a credit if there is a reasonable possibility of receiving payment for the account within a reasonable time. He should, however, watch the account closely and not let it get out of line.

Many commercial credit men today seem to rely too much on trade and interchange reports. These reports are extremely important but I feel certain even their sponsors did not intend that they should be used exclusively as a basis for credit granting. Trade reports call attention to certain unfavorable trends of the business but these reports must necessarily be brief and a complete analysis is not possible. Then too, there is always the possibility of a false impression being created by momentary business activity, elaborate furnishings and merchandise displays. Interchange reports give a true ledger experience up to the present but do not show the cause of any slowness of payment nor whether the condition will improve or get worse.

It, therefore, seems imperative that the financial statement should play an important part in the granting of

credit, at least equal in relative importance to other sources of information. Some commercial credit men indicate they have difficulty in obtaining financial statements from customers. This would seem to be the fault of the credit man for not properly handling the matter. The old story of insufficient records to make up a statement should not hold true at the present time. Every business with sales of \$5,000.00 or more must submit an income tax return to the Government annually. Thus practically all of your customers must keep some sort of records for their own protection. If they do not they should not be entitled to credit because they may get into trouble with the Government if unable to substantiate, by actual records, the figures submitted for income tax purposes.

A situation of this kind affords an opportunity for the credit man to render a service to the small retailer by providing him with a simple, practical bookkeeping system. This could be in the form of a columnar daily operation sheet and a small ledger. The columnar sheet could provide 31 lines for a month's operations and consist of daily totals in columns for charges sales and cash receipts from cash sales, accounts receivable and sales taxes as well as charge purchases and disbursements of cash for cash purchases, accounts payable, rent, wages, taxes and miscellaneous expenses. The ledger would be used for controls. Someone from your firm would set up the system, taking off a statement at the date of commencement of the service. The customer would then forward the monthly operation sheets, retaining a duplicate for himself, providing you with monthly financial statements and operating figures. The statement and the monthly reports would be signed by the customer, affording legal redress if falsification was discovered. A notation on the top of each sheet that the system was furnished through the courtesy of your company would keep your name constantly before the customer. It could thus be considered an advertising medium and the cost of the system charged to advertising. If the supplies were purchased in quantity, the material would cost, on the average, less than \$1.50 per year per customer. Surely the information received would warrant such an expenditure.

#### ***Operating Figures Important***

Some commercial credit men do not seem to have much confidence in financial statements submitted by their customers. Yet they will often grant them credit. This seems to me to be inconsistent when you consider that credit is based on confidence. They have little confidence in the customer's own statements, yet rely on the statements of others as to his financial condition. The reason for this may be in the fact that through lack of sufficient information, they have been unable to reconcile successive statements of customers. Many statement forms which I have observed in use by commercial credit men do not provide for operating figures or reconciliation of net worth, even in condensed form. The latter two statements are considered of vital importance by bank credit men to show the continuity of net worth and present a picture of the efficiency or inefficiency of management. Without them it would seem that credit men have but half the picture. Bank credit men have a great deal of confidence in financial statements. Banks grant open lines of credit as high as a million dollars.

Some of you may say that the amount of your average line of credit does not justify such an investigation. It is not to be implied that as comprehensive an investigation should be made on a \$100.00 line as would be made on a line of \$10,000.00. But have you ever had an experience of an account that started out innocently enough as a small account, accepted on the basis of little or no information due to its size, which increased gradually, unnoticed, until you awoke to find you had a "bear by the tail" in the form of a large account and no information? It will be too late to get the greatest benefit from information after the account has gotten out of line.

Statements by themselves do not solve business problems. But intelligent interpretations of them will enable the credit man to place his finger on the cause of trouble, which is half the battle. To get the greatest benefit, financial and operating statements over a period of years should be used. Single statements, while helpful, are not as indicative of the actual condition of affairs as is desirable. Weaknesses which may cause trouble in the future, if not corrected, will in most cases be revealed by a comparison of statements of a firm over a period of years, or when compared with statements of other companies in the same line of business, or when compared with typical statements for the line of business prepared by research organizations such as Robert Morris Associates.

Only by comparison of financial and operating figures can you determine whether your customer is collecting his accounts promptly, is getting the proper turnover or is overloaded with merchandise. Any of these conditions, if not corrected, will certainly slow up his payments to creditors in the future. If aware of the condition, the necessary precaution can be taken. It is always easier to cure a disease when treatment is given in the early stages of development. If you must wait until the account becomes slow, you will meet his creditors on his doorstep. All of you "crack down" on him at the same time. The debtor, mentally exhausted in trying to correct the situation, is further harassed by your pressure to such an extent that he cannot give sufficient time to the business. The business suffers, and may wind up in receivership or bankruptcy.

#### **Credit Man a Salesman**

It would seem that the typical credit man should be a salesman to sell his customers on the idea that it is only good business to comply with the established credit terms for his line of business. He should also sell his fellow credit men on the same idea for its accomplishment can only be achieved by cooperative action. If the prevailing terms are too long or too short, he should try to sell his fellow credit men on the need for revision.

He must sell the idea of cooperation to members of his own organization, his fellow credit men and his customers. Cooperation has been the watchword of credit since the credit man came into existence. Prevailing con-

ditions make it more important than ever before. The most efficient operation of a business requires close cooperation of all its units. If the credit man has thoroughly analyzed and properly interpreted his accounts, he will be in position to anticipate payments of future accounts of his customers fairly accurately and in this way can assist materially in the preparation of his company's budget. Cooperation between the credit and sales departments is extremely important today.

Personal contacts are essential to the work of credit men. The degree of confidence resulting from the contacts will determine the degree of benefit to be derived from them. Closer contacts, a better understanding of each other and a strict adherence to the code of ethics of the profession will do much to alleviate the feeling of suspicion still too prevalent among credit men today.

Membership in the local associations affiliated with the National Association of Credit Men and regular attendance at forum and trade group meetings of these associations provide an excellent opportunity to make these contacts. Such membership and attendance will prove invaluable. In the first place, it affords an opportunity to meet and become acquainted with fellow credit men; to know them informally. This acquaintance permits a better understanding of each other and an interchange of ideas, with the possibility of cooperative action toward the solutions of their problems. Secondly, the credit man

is acquainted with important new legislation. He can get a more clear interpretation of the subject in a discussion than would be possible were he to attempt to interpret it solely from his own viewpoint. He will also be kept posted on the credit abuses arising from time to time.

Due to its national scope, the National Association of Credit Men has played an important part in formulating present credit practices, in securing legislation for the protection of the rights of creditors, and in having bankruptcy matters placed under Federal regulation. It has achieved great success in the field of fraud prevention, having received the cooperation of the Department of Justice, the Post Office Department and the public prosecutors in this work. The interchange system of the National Association offers a service of real value. Interchange reports furnish useful information for checking financial statements. In addition, they bring to light cases of excessive placing of first orders, switching of markets and impairment of the buyer's credit.

#### **Dangers of Overstocking**

It would seem to be the responsibility of the present juniors to continue the progress made toward the eradication of many harmful practices of commercial credit granting. One of these is the practice of basing a line of credit on the amount which the customer's account can stand rather than on the amount of merchandise required for his most profitable (Cont'd on p. 50)

#### **OTHER PRIZE WINNERS**

##### **Class A**

- 2nd—Carleton A. TerBush, 4201 State Road, Drexel Hill, Pa.
- 3rd—William A. Duvel, National Credit Office, 140 Federal St., Boston, Mass.
- 4th—Allen Rogers, National Credit Office, 2 Park Ave., New York, N. Y.

##### **Class B**

- 2nd—Carl E. Long, Baton Rouge, La., (Louisiana State University)
- 3rd—Edward R. Wepman, Oxford, Ohio, (Miami University)
- 4th—Jimmie Gray, 334 Louisiana Ave., Baton Rouge, La., (Louisiana State University)

# Limitations of Utilizing Accounting Information for Credit Purposes

## Prize Winning Essay in Class B in 1939 Tregoe Memorial Contest

By Albert Siegel, University of Chicago

**C** Present day inclination toward alphabetical treatment finds our essay adopting this mode of approach in analyzing the credit grantor's problem of utilizing accounting information. It is imperative under conditions of present day keen competition and attending close margins that alert business men extend credit accommodation on information which tends to disclose an applicant's financial responsibility with the greatest degree of mathematical precision. Writers on credit have utilized the alphabetical three C's of credit, viz. *character*, *capacity*, and *capital* in introducing their subject while accounting writers have uniformly used the accounting concept of  $A - L = P$ , i.e., assets minus liabilities equals proprietorship. It is the present writer's attempt to integrate these two approaches . . . the logical, and technical, in presenting the problem confronting the credit grantor.

While accountancy has emerged from the day when open market borrowers certified their statements on a half sheet of note paper reading: "I certify that my net worth is \$20,000—signed," it by no means has escaped the problems of valuation *inherent* in the accounting process. Problems of valuation take on two different forms: (1) valuations from the viewpoint of the accountant or maker of the statement and (2) valuation as determined by the reader. The accountant's valuation is determined in cases with respect as to whether the statement is for credit purposes, regulatory bureaus and agencies, stockholders, or managerial purposes, while the reader "*reads into the statement*" with regard to his own position. Since our problem is from the viewpoint of the credit grantor we shall delve into the validity of ratio analysis as practiced by credit managers universally.

### *Skill in Interpreting Figures*

Over the last twenty years, increased skill has been acquired in the interpretation of figures, not only of balance sheets and profit and loss statements but also surplus accounts, trial balances, budgets, and subsidiary analytical statements. "The study of the interpretation of figures is a delightful, fascinating subject, an extensive subject in its many refinements and ramifications, a subject in which skill can be acquired only from the experience in delving into hundreds and thousands of business enterprises of all sizes and all kinds, industrially and geographic-

ally." In his study of over 59,700 concerns Mr. Roy A. Foulke concludes of ratio analysis that "*something more than casual opinions*" have been made available. Covering operations for the years 1931 through 1936, Mr. Foulke prepared fourteen average important ratios as *general criteria* for judging financial data with a view toward credit accommodation.<sup>1</sup> Foulke says, however, that "the fact that some particular ratio or ratios are abnormally out of balance in comparison with a standard does not mean that the concern is one which needs more thorough than usual investigation in all that the term implies; in many cases, that investigation will indicate that the concern is fundamentally unsound financially, and in some few cases there will be *extenuating* circumstances which again become a matter for independent interpretation."

### *What's Extenuating Circumstances?*

It is the present writer's contention that the first extenuating circumstance in order of importance should be the *financial statement* itself. What are the contents of a financial statement? Can these contents be used for credit purposes or must we disregard published statements in viewing credit grants? Critical examination of a financial statement cannot be undertaken unless one understands the assumptions involved in the preparation of financial position. As Mr. W. A. Paton well put it: "Praiseworthy as is an effort to locate and correct clerical mistakes, great emphasis on this side of accounting indicates a lack of appreciation of its more important purposes and of the inherent weaknesses of the art from the standpoint of literal accuracy. Accountants make three important assumptions in preparing their financial data. These are:

1. The business is a going concern.
2. The value of the dollar is stable throughout time.
3. Historical cost figures represent value.

The accountant in preparing his statement for publication deals with *going-concern* figures taking for granted the continuity of the business entity. The credit grantor, however must look at the statement from a liquidating viewpoint and cannot use the going-concern criterion. Our three C's of credit call for *capacity*—capacity as of a certain time—and liquidating figures not historical

<sup>1</sup> Address by A. G. Becker of the Chicago and Cook County Bankers' Association, February 15, 1923.

<sup>2</sup> Foulke, R. A. "Research In Commercial Credit," *Proceedings Of the First Institute On Credit*, Ohio State University Publications, p. 79.  
<sup>3</sup> Foulke, R. A. *Behind The Scenes of Business*, Dun and Bradstreet (1937).

presentation open the door toward correct financial analysis.

### What Are the Significant Terms?

In general the accountant assumes that the value or significance of the measuring unit remains unchanged. Of course this postulate is unsound and any attempt at financial analysis from these figures will lead to inaccurate results. Regarding such a process of combining quantities that are measured in different monetary units one French writer says: "This addition . . . is frequently compared with the process that a school boy would perform in adding cabbages, carrots, and little red radishes. I suppose that, as in my own case, you were taught when you were a child that the operation could not be done because the total could not be expressed in terms of a unit of any significance. It must be admitted, however, that the vegetables in question sometimes are added to one another, but it is then a matter of a cook preparing your stew, and not of arithmetic, nor even of accounting." How many times do we find our ratio analysts performing the above processes, and basing their conclusion in terms of a unit without significance?

The cost gives value assumption is probably the most important postulate utilized by accountants. Here, under all circumstances business men are deemed to proceed rationally. Coercion, fraud, bad judgment, carelessness—all these factors are in general assumed to be entirely absent from business transactions. Historical cost is supposed to be an objective figure, yet it is well known that most business men are ignorant of their costs. Inherent in the process of computing cost is the definition of cost. When one of our large locomotive builders constructed one locomotive in the depth of the current depression the allocation of overhead burden became of significance in computing cost. Should all of the overhead have been assigned to it or merely a percentage based on relative capacity production.

An extensive listing of the above assumptions in detail would be beyond the present purpose of this paper. All that is meant is to indicate the "imponderables" entering into the subject of ratio analysis.

In addition to inherent difficulties in the accounting process, we find variation in the presentation of identical data which seem to indicate that accounting is still somewhat of an unknown quantity. Mr. Foulke suggests that "Continued research into the financial aspects of commercial credit will be more practical and more valuable only as rules for the treatment of certain situations are set up and agreed upon by the accounting profession—and then lived up to. What use is it to compare the reported net profits of concerns where there is the 'ability' and the privilege of interpreting the same identical facts in different mathematical ways? For example, what use is it to compare the reported net profit of one concern which charges off \$65,000 to surplus, to bring its inventory down

to cost or market, with that of another concern which makes the same charge to its operating account?

### Where Opinions Differ

"One accountant will carry the cash-surrender value of life insurance as a current asset; another, as a slow asset. One accountant will carry the current maturity of a serial mortgage as a current liability; and another, as a deferred liability. One accountant will delight in making charges to surplus because they are applicable to prior years; and another accountant will conservatively put all such charges through the profit and loss account. The varieties of accounting practices which have been and are being produced in the accounting field by representative accountants are so aptly and fully illustrated in two recent volumes that no additional comment is really necessary. Those two volumes are: *Are You a Stockholder?*, by Alden Winthrop, and *False Security*, by Bernard J. Reis."

With the foregoing as a background, criticism of specific ratios utilized by ratio analysts and credit grantors is now in order. Methods for measuring the current financial condition of business have been highly developed by persons who are trained in their application.

The ratio of current assets to current liabilities is known as the current ratio. With regard to the current ratio it has been traditional for bankers to require a total current capital of twice the current debt. It is in accord with this tradition that banks formerly could not extend credit, or buy commercial paper if, in so doing the current debts were increased beyond an amount equal to half the total current capital.

### A Banker's Views on Ratios

In accord with such a theory, the banker will make the loan only if he is convinced that his credit is being used specifically for the purchase of raw materials and that the loan can and will be paid through the ultimate sale of these raw materials when transmuted into the finished goods. That there is nothing magical in this current ratio is being gradually recognized by banks.<sup>6</sup> Current capital employed in the business may be merely a question of credit policy. If goods are paid for as soon as they are delivered the management arbitrarily elects to do business only with the very best credit risks. Here it is seen that a great deal of liquid capital is required. The other types of business employing long term credit risks requires a large supply of current capital, yet the profits of two businesses may be the same ultimately after the inevitable bad debts charge-off is made.

In analyzing the current ratio credit grantors should take account of the factors affecting the amount of current capital. These are the technique of the business, the period of manufacture, the customary credits allowed customers, and the fluctuations in the availability of raw



<sup>6</sup> Leger F., *Le Redressement des Bilans En Franc-Papier*, Paris 1926 p. 21 (Taken from Sweeney-Stabilized Accounting, *Op. cit.*).

<sup>6</sup> Roy A. Foulke, *Proceedings Of the First Institute On Credit*, *op. cit.*  
<sup>6</sup> See A. S. Dewing, *Financial Policy of Corporations* (1934).

materials, and in the demand for the products.'

#### Adequacy of Working Capital

The adequacy of working capital is also dependent upon the frequency with which the current assets are converted. This may be measured in either of two ways: (1) by dividing the sales for the period by the average working capital used during the period or (2) dividing the current assets into the actual expenditures for the period. The ratio presents a valuable measure of current asset activity, however it does not indicate immediate debt-paying ability, particularly in a seasonal business. Furthermore in comparing figures for different periods of time one must watch his step in basing an opinion on a calculation made as in (1) above. Two firms making identical profits may present different working capital turnovers. To call the larger figure an improvement would be to misstate the case inasmuch as the increase really means that a greater strain was put on the working capital to earn the same profit as before.

The acid test questions the reliability of the inventory figure. Credit grantors who are in any way acquainted with the taking of physical inventories would do well to use this ratio to check the working capital. The test in itself presents interesting relationships but it gives no clue to the relative due dates of receivables and payables. F. W. Woodbridge in the *Southern California Business Review* (Summer Issue, 1938) suggests that the receivables be "aged" (classified according to due dates) in order to avoid a misleading computation.

#### Window Dressing in Audits

Accounting has received more than usual notice recently. One nationally known firm of accountants was charged with "casuistry" for its financial presentation of the financial condition of the Missouri Pacific Railway Company. Last August the Securities and Exchange Commission also brought charges against the Allegheny Corporation for "false and misleading" statements in its financial presentation. The accuracy of a statement depends in large measure upon the ability and integrity of the man who prepares it. A signed or unsigned statement prepared by the debtor in his own form is of very limited value. Even if a debtor does not engage in "window dressing" he naturally tends to "put his best foot forward." Stuart Chase's reference to the firm of Yessir, Yessir, and Peesir, Certified Public Accountants would tend to indicate that auditors are *agents* of the client in presenting financial position.

Credit grantors relying on certified statements would do well to study the liability of the auditor for his certification. Notwithstanding the now-famous McKesson-Robbins incident American cases adhere to the following with respect to the auditor's liability: An auditor's obligation to his client is primarily based on contract, while liability to third parties is based on a tort-feasor relationship.

#### No Liability to Third Parties

As a general proposition the auditor has no legal liability to third parties for negligence unless such negligence is so flagrant that it is considered equivalent to

<sup>1</sup> Martin, B. F. "Recent Movements in the Commercial Paper Market," 9 *Harvard Business Review* 363 (April, 1931).

fraud; he is responsible to third parties for fraud. The leading American case to date is the *Ultramares Corporation v. Touche et al.* (174 N. E. 441) in which the late Justice Cardozo said:

The defendants owed to their employer a duty imposed by law to make their certificate without fraud, and a duty growing out of contract to make it with the care and caution proper to their calling. Fraud includes the pretense of knowledge when knowledge there is none. To creditors and investors to whom the employer exhibited the certificate, the defendants owed a like duty to make it without fraud, since there was notice in the circumstances of its making that the employer did not intend to keep it to himself (*Eaton, Cole, and Burnham Company v. Avery*, 83 N. Y. 31; *Tindle v. Birkett*, 171 N. Y. 520.) A different question develops when we ask whether they owed a duty to these to make it without negligence. If liability for negligence exists, a thoughtless slip or blunder, the failure to detect a theft or forgery beneath the cover of deceptive entries, may expose accountants to a liability in an indeterminate amount for an indeterminate time to an indeterminate class. . . . Our holding does not emancipate accountants from the consequences of fraud. It does not relieve them if their audit has been so negligent as to justify a finding that they had no genuine belief in its adequacy, for this again is fraud. It does no more than say that if less than this is proved, if there has been neither reckless misstatement nor insincere profession of an opinion, but only honest blunder, the ensuing liability for negligence is one that is bounded by the contract, and is to be enforced between the parties by whom the contract has been made. We doubt whether the average business man receiving a certificate without paying for it and receiving it merely as one among a multitude of possible investors, would look for anything more.

The *Ultramares* case has become a milestone in accounting jurisprudence. On May 28 of last year in the case of *State Street Trust Co. v. Ernst* (15 N. E. (2d) 416), the same court reaffirmed the major principles of the *Ultramares* case. In an action against the accountants by third parties not contracting with the accountants (the plaintiff bank made a loan on the basis of the certified statement) the court held that the question of liability could go to the jury on an issue of fraud as to whether the accountants has a *bona fide* belief in the truthfulness of their certificate. Concerning litigation against the creditor it may be said that probably there would be many more American cases brought to the courts if the injured client felt that he had a chance to recover money damages. Query then as to "what is an unreliable as an audit?"

#### Act as Business Trustees?

With regard to solving the problem of accounting for the credit grantor, Mr. R. A. Foulke says:

From the very inception of accountancy in the United States until this very time accountants have justified their privilege of placing their own individual interpretation upon accounting problems, a viewpoint which has tended to prevent uniformity of practice, and of treating their relations with clients on a strictly confidential basis, often failing to realize that their very actions are of much wider public interest. In a very broad way, accountants are trustees of business knowledge and information. They should also be the deep philosophers of business.

The lack of uniformity in accounting principles and practices is a problem which should not be difficult to solve. That solution is in the hands, in the first place, of the American Institute of Accountants. But, unfortunately, over the years and until recently, no one in the Institute apparently has considered the problem of but moderate importance. The pronouncements of individual accountants, from time to time, have been more in the nature of justifying the status quo of existing variable practices and policies.

In the second instance, the solution to this problem is, strange as it may seem, in the very lap of the New York Stock Exchange, and particularly (Cont'd on Page 52)

# Bad Debt Loss Survey -- II

## Average Credit Sales and Number of Accounts

By J. Harold Stehman, Acting Chief, Market Data Section, Marketing Research Division, Bureau of Foreign and Domestic Commerce.

**THE** first part of this survey, which appeared in this publication last month, contained summary results of the first annual Bad Debt Loss Survey conducted jointly by the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce, Department of Commerce. Special data were presented for industries and by trades for 1937 and 1938. Particular attention was given to special breakdown of the figures by size of business.

The third and final part of the study will appear in the August issue. It will contain findings with respect to average sales per account, for each trade and industry, total number of accounts, the average number per firm and the number written off. Special attention will be given to conclusions and recommendations.

In part II, particular attention is given to bad debt losses from the point of view of the average credit sales per account or customer and in accordance with the number of accounts per reporting company.

In the first instance there is a very definite relationship. The perfect inverse correlation between the proportion of bad debt losses and the average amount of credit extended each manufacturer's customer is clearly illustrated in Chart 1. The loss percentages of those manufacturers whose average credit sales per account was less than \$250 was 0.45 percent of total credit sales in 1937 and 0.47 percent in 1938, well above the 0.18 and 0.20 percent already reported for all groups combined. Each successive group shows a consistently smaller loss percentage, presenting such a "staircase" pattern that the statistical skeptic might suspect a stacked deck. This relationship is also evident in practically every major industry regardless of the general "average credit sales per customer" of the industry.

In view of this, it cannot be ascribed to uncontrollable factors which might cause high average sales, such as the type of product, concentration of customers' purchases, or trade practices peculiar to an industry. Rather, the

high average sales per customer would seem to be more closely related to a higher degree of effective management and possibly a greater development of a limited number of accounts.

This conclusion is verified to some extent by the management factor noted in the previous article on the results

of this survey which pointed out that the larger volume companies which reported the lowest loss ratios can usually afford separate, more highly specialized credit departments, staffed by personnel devoting their entire efforts to credit problems who in turn can avail themselves of more complete outside services.

It should not be taken to mean, however, that effective sales management and good credit administration are limited to large organizations. It does mean that the management factor is of vital importance both in the promotion of sales and the extension of credit.

There is set forth in Table A, a cross classification by size of firm versus average credit sales per customer. Our review of individual reports has shown that each group includes firms

with typically high priced items or products which lend themselves to more concentrated buying such as iron and steel products, metals, and machinery; also that companies representing all industry groups are sprinkled through most of the breakdowns.

Since this is so, and in view of the above indication that the credit sales per customer correlation cuts across nearly all industry groups, it would appear that high average sales per account is not an inherent phenomenon related only to large establishments. This also has been verified by closer inspection of individual reports.

The factors that cannot be measured accurately as to their relative effects are administration and the type of product (except with respect to industry totals.)

Thus, having eliminated sales volume, and to a large extent, the type of product and type of industry as important factors influencing the relationship between high average sales and loss percentages, we seem to have some

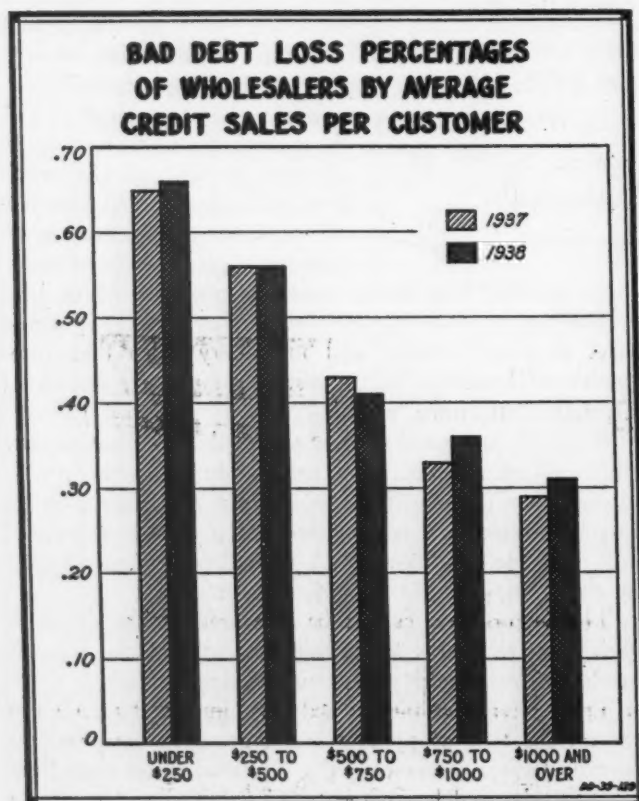
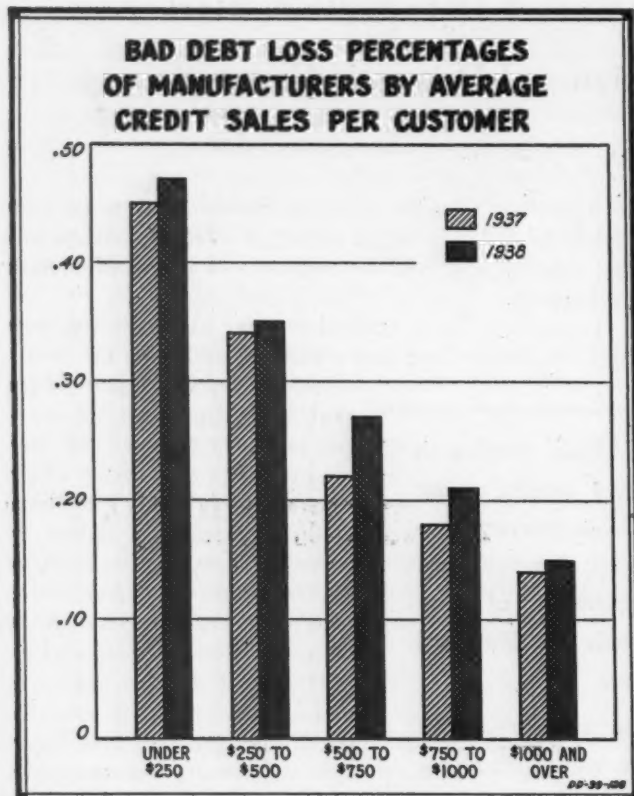
**This is the second of three articles in which are summarized the results of the First Annual Bad Debt Loss Survey conducted by the Bureau of Foreign and Domestic Commerce, Department of Commerce, in cooperation with the National Association of Credit Men.**

**The first of the series appeared last month and Credit and Financial Management for August will contain the third and final discussion of the survey findings.**

**A broader, more general discussion of the study was presented at the Convention last month by Wilford L. White, Chief, Marketing Research Division, Bureau of Foreign and Domestic Commerce.**

additional proof that management's effective coordination of sales promotion and credit extension exerts a strong influence toward lower losses from bad debts.

An identical pattern of losses has been found among the wholesale firms who submitted reports for the study. It will be noted from Chart 2 that about the only difference in the "staircase" is that each step is at a relatively higher level than was the case for manufacturers. The relation-



ship, while obvious in a majority of the different trade classifications, was not so uniformly evident as was true for the industrial groups.

Those firms with an average credit sales per account of less than \$250 experienced a 0.66 percent bad debt loss. Again each successive group has shown a markedly better record, with companies in the "\$1,000 or more" class recording only a 0.31 percent loss.

It is pure conjecture but does seem likely that if an appreciably larger number of firms can be included in future studies that these various relationships will be portrayed more clearly and thus lend themselves to more definite treatment and more complete analysis. If an opposite effect were obtained for some classifications it should indicate the direction of further thought and analysis. Undoubtedly many of the group classifications do not show specific results because of small sample involved, which naturally adds to the weight given any particular firm whose operations vary from the average in any appreciable degree.

For example, we know that the sample in the present study does not give sufficient weight to the loss experience of the smaller establishments. Or conversely, we have in our reporting group a larger proportion of large scale manufacturers and distributors than is shown in the most recent censuses of manufacturing and distribution.

There is no apparent correlation between bad debt losses and the number of accounts or customers being served by a company. On first thought one might have suspected to find the larger sales volume establishments having the largest number of accounts, and for this to have some connection with losses.

While a complete reverse of this thought was not found, our checking of each individual report undeniably brought out the fact that there was an extremely wide variation in the number of accounts handled by the firms in each different sales size group.

The range of losses shown in Tables 3 and 4 is so varied that it cannot even be said that there is any sort of a tendency indicated. Despite any preconceived ideas one might have had, therefore, there is little question as to the utter lack of correlation between the number of accounts carried on the books and the bad debt losses sustained by both wholesalers and manufacturers.

Of course, the fullest realization of the value of this survey is attained only when the individual credit manager reviews the figures for his own firm in the light of the averages and breakdowns shown for his particular trade.

Much significance can be added by such a checking process as the practices and problems of the particular trade, and their influence on credit losses, can be segregated and delineated much more satisfactorily.

#### Reprints of the Three Articles on the Bad Debt Loss Survey Will Be Available in August—

In order that Credit Executives may have the entire discussion of this important study on Bad Debt Losses for their files and for future reference a 16 page reprint of the three articles and charts will be available about August 10th. If you wish a copy send your request with 10 cents in letter postage to *Credit and Financial Management*, One Park Avenue, New York City.

**TABLE 1—Proportion of Bad Debt Losses to Credit Sales of Wholesalers, by Kind of Business, Classified According to Average Number of Accounts Per Firm, 1937 and 1938**

Kind of Business	Number of Accounts Per Firm (Based on 1938 Figures)																	
	Total of All Groups			Firms with more than 1500 accounts			Firms with from 1000 to 1500 accounts			Firms with from 500 to 1000 accounts			Firms with from 300 to 500 accounts			Firms with less than 300 accounts		
	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938
Automotive supplies.....	154	0.60	0.67	28	0.76	0.78	19	0.52	0.72	45	0.57	0.54	25	0.91	0.80	37	0.81	0.61
Chemicals.....	14	0.31	0.24	4	0.09	0.11	—	—	—	5	1.00	0.37	—	—	—	—	—	—
Paints and varnishes.....	25	0.20	0.20	—	—	—	—	—	—	6	0.65	1.01	7	1.15	0.95	8	0.78	1.17
Clothing and furnishings, except shoes.....	25	0.20	0.35	6	0.31	0.43	4	0.25	0.36	8	0.09	0.25	6	0.20	0.28	—	—	—
Shoes and other footwear.....	34	0.23	0.40	13	0.19	0.35	5	0.66	0.78	6	0.75	0.98	7	0.44	0.74	—	—	—
Coal.....	13	0.07	0.05	—	—	—	—	—	—	—	—	—	4	0.08	0.08	5	0.09	0.06
Drugs and drug sundries.....	78	0.62	0.60	15	1.01	1.01	14	0.31	0.31	29	0.61	0.58	15	0.28	0.26	5	0.24	0.18
Dry goods.....	98	0.31	0.37	43	0.28	0.33	20	0.28	0.39	18	0.47	0.71	12	0.56	0.49	5	0.27	0.07
Electrical goods.....	274	0.29	0.32	88	0.30	0.28	43	0.34	0.27	41	0.41	0.53	50	0.34	0.34	52	0.33	0.44
Farm products (consumer goods).....	54	0.29	0.23	10	0.46	0.32	—	—	—	15	0.19	0.20	12	0.28	0.25	14	0.30	0.26
Furniture and house furnishings.....	44	0.42	0.34	10	0.39	0.28	4	0.39	0.21	18	0.53	0.47	6	0.13	0.49	6	0.53	0.38
Groceries and foods, except farm products.....	611	0.34	0.35	127	0.34	0.36	58	0.42	0.41	166	0.31	0.28	131	0.37	0.34	129	0.31	0.35
Meats and meat products.....	34	0.12	0.14	4	0.10	0.11	—	—	—	9	0.21	0.23	9	0.21	0.26	9	0.08	0.11
Wines and spirituous liquors.....	15	0.31	0.26	—	—	—	—	—	—	—	—	—	4	0.22	0.21	5	0.58	0.64
General hardware.....	147	0.49	0.45	80	0.51	0.45	28	0.43	0.53	29	0.41	0.36	7	0.53	0.33	—	—	—
Heavy hardware.....	20	0.56	0.62	6	0.58	0.71	—	—	—	6	0.72	0.77	5	0.44	0.20	—	—	—
Industrial supplies.....	121	0.33	0.45	23	0.30	0.41	14	0.23	0.23	24	0.51	0.74	35	0.32	0.48	25	0.38	0.46
Plumbing and heating supplies.....	100	0.67	0.62	32	0.51	0.50	5	0.32	0.50	18	0.72	0.47	16	0.89	0.85	29	1.20	1.11
Jewelry and optical goods.....	37	0.69	0.79	4	0.81	0.97	—	—	—	13	0.71	0.82	9	0.31	0.50	8	0.46	0.89
Lumber and building materials.....	47	0.57	0.44	—	—	—	4	1.13	0.31	16	0.37	0.46	14	0.48	0.46	10	0.83	0.60
Machinery, equipment and supplies, except electrical.....	40	0.85	0.81	7	1.04	1.09	6	0.54	0.39	8	0.62	0.63	11	0.61	0.79	8	1.01	0.41
Surgeon's equipment and supplies.....	40	0.52	0.39	8	0.73	0.22	—	—	—	17	0.61	0.59	9	0.25	0.17	—	—	—
Metals.....	23	0.31	0.35	6	0.23	0.22	—	—	—	5	0.34	0.40	—	—	—	6	0.17	0.99
Paper and its products.....	63	0.39	0.43	36	0.34	0.51	4	0.26	0.24	7	0.93	0.26	12	0.45	0.26	4	0.19	0.29
Petroleum.....	15	0.28	0.28	7	0.30	0.29	—	—	—	—	—	—	—	—	—	—	—	—
Tobacco and its products.....	142	0.21	0.26	31	0.16	0.21	15	0.33	0.31	32	0.35	0.39	24	0.25	0.41	40	0.25	0.33
Leather and shoe findings.....	11	0.81	0.78	—	—	—	—	—	—	5	0.94	1.02	—	—	—	—	—	—
Miscellaneous.....	44	0.20	0.37	13	0.25	0.29	5	0.46	0.27	8	0.60	0.61	7	0.73	0.93	11	0.11	0.35
U. S. Total.....	2,403*	0.35	0.37	612	0.35	0.37	274	0.36	0.36	562	0.39	0.39	446	0.38	0.38	435	0.30	0.38

\*This figure does not show a total of the groups because a number of multiple-unit firms reporting total figures could not give breakdowns by houses.

\*Insufficient reports to show data.

**TABLE 2—Proportion of Bad Debt Losses to Credit Sales of Manufacturers, by Industry, Classified According to Average Credit Sales Per Account, 1937 and 1938**

Industry	Average Credit Sales Per Account (Based on 1938 Figures)																	
	Total of All Groups			Firms averaging \$1000 or more per account			Firms averaging from \$750 to \$1000 per account			Firms averaging from \$500 to \$750 per account			Firms averaging from \$250 to \$500 per account			Firms averaging under \$250 per account		
	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938
Food and kindred products, total.....	345	0.15	0.16	100	0.11	0.12	32	0.21	0.18	27	0.19	0.32	65	0.24	0.27	121	0.50	0.45
Confectionery.....	165	0.21	0.24	15	0.11	0.16	14	0.19	0.16	12	0.16	0.16	42	0.23	0.26	82	0.43	0.51
Flour, cereals and other grain mill products.....	22	0.13	0.18	14	0.10	0.16	—	—	—	—	—	—	4	0.33	0.42	—	—	—
Meat packing.....	25	0.13	0.14	21	0.13	0.14	—	—	—	—	—	—	—	—	—	—	—	—
Distilled liquors.....	6	0.13	0.03	6	0.13	0.03	—	—	—	—	—	—	—	—	—	—	—	—
Malt liquors.....	12	0.31	0.17	8	0.30	0.14	—	—	—	—	—	—	—	—	—	—	—	—
Wine.....	18	0.32	1.01	9	0.29	0.94	—	—	—	—	—	—	—	—	—	6	2.01	0.71
Other food products.....	97	0.10	0.10	27	0.05	0.07	11	0.22	0.22	9	0.11	0.22	19	0.21	0.25	31	0.77	0.48
Textiles and their products, total.....	130	0.12	0.21	47	0.07	0.15	8	0.18	0.24	17	0.23	0.35	30	0.37	0.40	28	0.39	0.65
Clothing, men's, except hats.....	31	0.14	0.33	10	0.07	0.26	—	—	—	5	0.17	0.31	10	0.37	0.56	4	0.27	0.39
Clothing, women's, except millinery.....	23	0.32	0.45	—	—	—	—	—	—	4	0.29	0.42	5	0.31	0.34	9	0.48	0.69
Knit goods.....	11	0.12	0.20	4	0.03	0.10	—	—	—	—	—	—	—	—	—	—	—	—
Other textile products.....	65	0.10	0.16	30	0.07	0.14	—	—	—	7	0.32	0.42	12	0.43	0.32	13	0.37	0.77
Forest products, total.....	80	0.28	0.29	33	0.24	0.21	8	0.55	0.59	17	0.37	0.45	16	0.30	0.50	6	0.59	0.41
Furniture.....	45	0.33	0.35	19	0.33	0.29	—	—	—	11	0.32	0.39	9	0.20	0.53	4	0.59	0.44
Lumber, timber, and other miscellaneous forest products.....	35	0.22	0.20	14	0.15	0.13	6	0.33	0.52	6	0.62	0.68	7	0.60	0.41	—	—	—
Paper and allied products, total.....	95	0.17	0.17	49	0.16	0.15	11	0.25	0.27	16	0.28	0.26	10	0.32	0.38	9	0.11	0.16
Paper, writing, book, etc.....	22	0.26	0.26	6	0.25	0.23	—	—	—	5	0.31	0.12	5	0.33	0.40	—	—	—
Paper, boxes and other paper products.....	56	0.11	0.14	32	0.10	0.13	5	0.31	0.25	9	0.18	0.06	4	0.17	0.28	6	0.19	0.15
Wax paper.....	17	0.28	0.19	11	0.27	0.14	—	—	—	—	—	—	—	—	—	—	—	—
Printing, publishing and allied industries.....	76	0.45	0.45	25	0.32	0.35	8	0.96	0.57	9	0.97	0.36	16	0.43	0.46	18	0.48	0.55
Chemicals and allied products, total.....	128	0.36	0.36	29	0.18	0.19	10	0.37	0.39	18	0.46	0.50	32	0.67	0.54	39	0.56	0.60
Paints and varnishes.....	64	0.55	0.62	16	0.21	0.38	5	0.83	0.87	11	1.01	1.05	20	1.13	0.91	12	0.59	0.59
Pharmaceuticals and proprietary medicines.....	27	0.46	0.46	—	—	—	—	—	—	—	—	—	6	0.57	0.45	16	0.60	0.61
Other chemical products.....	37	0.23	0.21	11	0.17	0.12	5	0.24	0.26	4	0.18	0.20	6	0.36	0.33	11	0.40	0.55
Petroleum.....	21	0.13	0.16	9	0.04	0.07	4	0.10	0.11	5	0.21	0.23	—	—	—	—	—	—
Rubber products.....	12	0.46	0.21	6	0.49	0.22	—	—	—	—	—	—	—	—	—	—	—	—
Leather and its products, total.....	94	0.16	0.23	63	0.14	0.20	—	—	—	10	0.40	0.73	8	0.23	0.32	10	0.56	0.70
Boots and shoes.....	34	0.18	0.25	24	0.15	0.22	—	—	—	6	0.52	0.91	—	—	—	—	—	—
Leather: tanned, curried, and finished.....	35	0.13	0.19	34	0.13	0.19	—	—	—	—	—	—	—	—	—	—	—	—
Other leather products.....	25	0.14	0.26	5	0.04	0.06	—	—	—	—	—	—	8	0.23	0.32	9	0.54	1.29
Stone, clay and glass products.....	56	0.24	0.28	36	0.23	0.26	—	—	—	4	0.29	0.51	6	0.09	0.49	8	0.45	0.50
Iron and steel and their products, total.....	163	0.09	0.08	87	0.08	0.05	13	0.16	0.15	20	0.09	0.15	26	0.28	0.36	17	0.29	0.38
Hardware.....	15	0.14	0.13	5	0.11	0.10	—	—	—	—	—	—	—	—	—	4	0.21	0.12
Stoves, ranges, steam heating apparatus.....	19	0.24	0.35	7	0.16	0.17	—	—	—	—	—	—	5	0.42	1.16	—	—	—
Other iron and steel products.....	129	0.08	0.06	75	0.07	0.04	9	0.10	0.08	17	0.08	0.15	18	0.27	0.23	10	0.16	0.22
Non-ferrous metals and their products, total.....	58	0.09	0.10	27	0.06	0.06	8	0.18	0.30	8	0.14	0.11	9	0.39	0.43	6	0.78	0.83
Jewelry and jewelers' supplies.....	27	0.19	0.23	9	0.14	0.06	5	0.21	0.36	6	0.37	0.28	4	0.40	0.48	—	—	—
Other non-ferrous metals.....	31	0.06	0.06	13	0.05	0.06	—	—	—	—	—	—	5	0.39	0.33	—	—	—
Machinery, not including transportation equipment, total.....	218	0.36	0.36	120	0.38	0.37	30	0.19	0.30	21	0.32	0.34	24	0.34	0.32	23	0.41	0.24
Electrical machinery, apparatus and supplies.....	90	0.21	0.19	52	0.19	0.17	12	0.17	0.31	9	0.47	0.37	10	0.97	0.14	7	0.81	0.53
Other machinery, apparatus and supplies.....	128	0.54	0.56	68	0.64	0.68	18	0.24	0.30	12	0.25	0.33	14	0.25	0.35	16	0.29	0.17
Motor-vehicle parts.....	43	0.10	0.13	20	0.06	0.05	4	0.13	0.30	4	0.26	0.40	9	0.23	0.21	6	0.40	0.51
Miscellaneous industries.....	71	0.20	0.20	17	0.15	0.12	11	0.25	0.23	13	0.20	0.40	17	0.38	0.43	13	0.42	0.55
U. S. Total.....	1,590	0.18	0.20	668	0.14	0.15	154	0.18	0.21	191	0.22	0.27	270	0.34	0.35	307	0.45	0.47

**TABLE 3—Proportion of Bad Debt Losses to Credit Sales of Wholesalers, by Kind of Business, Classified According to Average Credit Sales Per Account, 1937 and 1938**

Kind of Business	Average Credit Sales Per Account (Based on 1938 Figures)																	
	Total of All Groups			Firms averaging \$1000 or more per account			Firms averaging from \$750 to \$1000 per account			Firms averaging from \$500 to \$750 per account			Firms averaging from \$250 to \$500 per account			Firms averaging under \$250 per account		
	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938
Automotive supplies.....	154	0.69	0.67	5	0.31	0.43	—	—	—	7	0.49	0.46	74	0.71	0.65	67	0.83	0.86
Chemicals.....	14	0.31	0.24	—	—	—	—	—	—	4	0.07	0.17	4	0.32	0.38	—	—	—
Paints and varnishes.....	25	0.20	0.30	—	—	—	—	—	—	4	0.07	0.17	5	0.51	0.89	15	1.65	1.41
Clothing and furnishings, except shoes.....	25	0.20	0.35	5	0.11	0.24	—	—	—	5	0.42	0.69	6	0.72	0.91	7	0.25	0.37
Shoes and other footwear.....	34	0.23	0.40	9	0.21	0.39	6	0.16	0.33	6	0.51	0.62	8	0.50	0.57	5	0.31	1.04
Coal.....	13	0.07	0.05	10	0.07	0.05	—	—	—	—	—	—	—	—	—	—	—	—
Drugs and drug sundries.....	78	0.62	0.60	53	0.46	0.46	6	0.57	0.57	5	0.83	0.30	9	2.96	3.37	5	0.64	0.41
Dry goods.....	98	0.31	0.37	16	0.36	0.49	15	0.20	0.27	20	0.37	0.45	28	0.35	0.35	19	0.61	0.60
Electrical goods.....	274	0.29	0.32	151	0.20	0.26	36	0.60	0.51	42	0.46	0.36	36	1.05	0.72	9	0.95	1.09
Farm products (consumer goods).....	54	0.29	0.23	21	0.25	0.20	12	0.14	0.16	10	0.48	0.54	5	1.04	0.18	6	0.53	0.37
Furniture and house furnishings.....	44	0.42	0.34	11	0.26	0.30	5	0.59	0.28	—	—	—	11	0.48	0.54	14	0.62	0.47
Groceries and foods, except farm products.....	611	0.34	0.35	365	0.32	0.32	93	0.32	0.37	83	0.40	0.42	50	0.40	0.39	20	0.83	1.14
Meats and meat products.....	34	0.12	0.14	22	0.10	0.12	6	0.21	0.32	—	—	—	—	—	—	—	—	—
Wines and spirituous liquors.....	15	0.31	0.26	10	0.30	0.25	—	—	—	—	—	—	—	—	—	—	—	—
General hardware.....	147	0.49	0.45	22	0.37	0.29	21	0.43	0.46	35	0.56	0.44	40	0.55	0.53	29	0.88	0.89
Heavy hardware.....	20	0.56	0.62	—	—	—	—	—	—	—	—	—	11	1.01	1.22	5	0.67	0.42
Industrial supplies.....	121	0.33	0.45	12	0.19	0.43	6	0.12	0.42	26	0.40	0.37	42	0.42	0.51	35	0.48	0.53
Plumbing and heating supplies.....	100	0.67	0.62	47	0.63	0.62	15	0.88	0.71	16	0.58	0.76	16	1.01	0.56	6	0.31	0.22
Jewelry and optical goods.....	37	0.69	0.79	7	0.48	0.70	4	0.95	0.68	11	0.64	1.02	9	0.41	0.50	6	1.12	0.81
Lumber and building materials.....	47	0.57	0.44	20	0.52	0.35	5	0.43	0.54	9	0.43	0.36	11	0.95	0.65	—	—	—
Machinery, equipment and supplies, except electrical.....	40	0.85	0.81	11	0.91	0.48	7	1.07	0.75	7	0.92	1.17	8	0.61	1.27	7	0.66	0.58
Surgical equipment and supplies.....	40	0.52	0.39	—	—	—	—	—	—	4	0.35	0.33	11	0.42	0.28	25	0.73	0.56
Metals.....	23	0.31	0.35	8	0.46	0.60	4	0.23	0.46	—	—	—	6	0.36	0.31	—	—	—
Paper and its products.....	63	0.39	0.43	10	0.24	0.61	—	—	—	11	0.71	0.36	11	0.56	0.39	29	0.32	0.57
Petroleum.....	15	0.28	0.28	5	0.24	0.25	—	—	—	—	—	—	—	—	—	5	1.66	1.13
Tobacco and its products.....	142	0.21	0.26	49	0.17	0.23	23	0.20	0.25	20	0.23	0.27	33	0.26	0.32	17	0.28	0.38
Leather and shoe findings.....	11	0.81	0.78	—	—	—	—	—	—	—	—	—	—	—	—	8	1.23	1.13
Miscellaneous.....	44	0.20	0.37	11	0.17	0.40	—	—	—	7	0.59	0.37	14	0.18	0.21	9	0.38	0.28
U. S. Total.....	2,403*	0.35	0.37	888	0.29	0.31	282	0.33	0.36	342	0.43	0.41	460	0.56	0.56	357	0.65	0.66

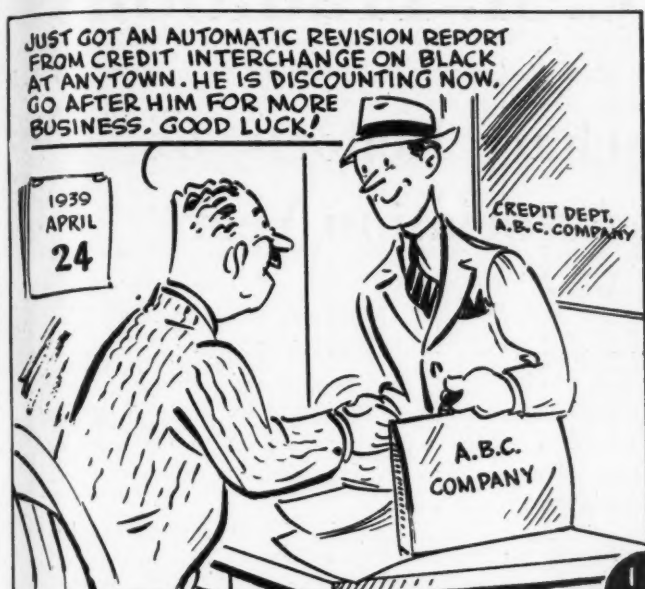
—Insufficient reports to show data.

\*This figure does not show a total of the groups because a number of multiple-unit firms reporting total figures could not give breakdowns by houses.

**TABLE 4—Proportion of Bad Debt Losses to Credit Sales of Manufacturers, by Industry, Classified According to Average Number of Accounts Per Firm, 1937 and 1938**

Industry	Number of Accounts Per Firm (Based on 1938 Figures)																	
	Total of All Groups			Firms with more than 1500 accounts			Firms with from 1000 to 1500 accounts			Firms with from 500 to 1000 accounts			Firms with from 300 to 500 accounts			Firms with less than 300 accounts		
	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938	No. of reports	1937	1938
Food and kindred products, total.....	345	0.15	0.16	148	0.15	0.15	33	0.17	0.22	68	0.18	0.20	38	0.12	0.11	58	0.22	0.41
Confectionery.....	165	0.21	0.24	87	0.19	0.21	18	0.21	0.19	24	0.59	0.72	14	0.43	0.54	22	0.51	0.40
Flour, cereals and other grain mill products.....	22	0.13	0.18	4	0.10	0.13	—	—	—	6	0.32	0.43	7	0.11	0.19	4	0.04	0.53
Meat packing.....	25	0.13	0.14	9	0.13	0.13	—	—	—	7	0.18	0.18	—	—	—	4	0.07	0.09
Malt liquors.....	12	0.31	0.17	4	0.32	0.14	—	—	—	—	—	—	—	—	—	4	0.11	0.15
Wine.....	18	0.32	1.01	—	—	—	—	—	—	4	1.24	0.77	—	—	—	8	0.52	2.29
Other food products.....	97	0.10	0.10	43	0.10	0.10	9	0.10	0.15	23	0.06	0.12	8	0.16	0.15	14	0.16	0.09
Textiles and their products, total.....	130	0.12	0.21	59	0.16	0.27	20	0.05	0.11	15	0.15	0.27	16	0.09	0.20	20	0.14	0.14
Clothing, men's, except hats.....	31	0.14	0.33	18	0.15	0.39	4	0.16	0.36	—	—	—	—	—	—	5	0.11	0.03
Clothing, women's, except millinery.....	23	0.32	0.45	12	0.31	0.38	5	0.39	0.77	—	—	—	—	—	—	—	—	—
Knit goods.....	11	0.12	0.20	6	0.16	0.26	—	—	—	—	—	—	—	—	—	—	—	—
Other textile products.....	65	0.10	0.16	23	0.15	0.22	8	0.02	0.05	11	0.15	0.28	12	0.10	0.26	11	0.17	0.21
Forest products, total.....	80	0.28	0.29	13	0.35	0.21	9	0.17	0.39	16	0.33	0.45	18	0.15	0.13	24	0.49	0.41
Furniture.....	45	0.33	0.35	12	0.33	0.21	6	0.22	0.50	11	0.32	0.47	7	0.45	0.33	9	0.55	0.60
Lumber, timber, and other miscellaneous forest products.....	35	0.22	0.20	—	—	—	—	—	—	5	0.38	0.38	11	0.11	0.10	15	0.46	0.34
Paper and allied products, total.....	95	0.17	0.17	20	0.15	0.14	4	0.27	0.33	21	0.19	0.16	17	0.19	0.27	33	0.22	0.16
Paper, writing, book, etc.....	22	0.26	0.26	4	0.33	0.41	—	—	—	6	0.23	0.19	—	—	—	9	0.35	0.28
Paper, boxes and other paper products.....	56	0.11	0.14	10	0.06	0.11	—	—	—	11	0.13	0.13	14	0.10	0.25	20	0.20	0.11
Wax paper.....	17	0.28	0.19	6	0.20	0.14	—	—	—	4	0.93	0.33	—	—	—	4	0.16	0.21
Printing, publishing and allied industries.....	76	0.45	0.45	14	0.41	0.48	—	—	—	11	0.55	0.40	10	0.34	0.53	38	0.72	0.48
Chemicals and allied products, total.....	128	0.36	0.36	50	0.31	0.29	17	0.65	0.89	25	0.28	0.34	13	0.93	0.82	23	0.43	0.53
Paints and varnishes.....	64	0.65	0.62	14	0.65	0.56	13	0.58	1.03	14	0.27	0.33	9	0.70	0.85	14	0.96	0.93
Pharmaceuticals and proprietary medicines.....	27	0.46	0.46	17	0.45	0.45	—	—	—	—	—	—	—	—	—	5	0.50	0.76
Other chemical products.....	37	0.23	0.21	19	0.18	0.17	—	—	—	9	0.34	0.38	—	—	—	4	0.02	0.16
Petroleum.....	21	0.13	0.16	12	0.14	0.16	—	—	—	4	0.11	0.14	—	—	—	—	—	—
Rubber products.....	12	0.46	0.21	—	—	—	—	—	—	5	0.27	0.15	—	—	—	—	—	—
Leather and its products, total.....	94	0.16	0.23	15	0.15	0.20	12	0.34	0.62	17	0.11	0.22	13	0.14	0.14	37	0.17	0.19
Boots and shoes.....	34	0.18	0.25	8	0.15	0.20	5	0.48	0.77	6	0.29	0.41	4	0.23	0.22	11	0.08	0.26
Leather: tanned, curried and finished.....	35	0.13	0.19	—	—	—	—	—	—	6	0.09	0.20	4	0.11	0.11	22	0.20	0.16
Other leather products.....	25	0.14	0.26	6	0.30	0.41	5	0.15	0.57	5	0.07	0.13	5	0.05	0.04	4	0.08	0.20
Stone, clay and glass products.....	56	0.24	0.28	6	0.21	0.17	7	0.22	0.26	7	0.12	0.24	10	0.22	0.35	26	0.40	0.40
Iron and steel and their products, total.....	163	0.09	0.08	41	0.09	0.06	19	0.08	0.07	21	0.09	0.12	23	0.14	0.19	59	0.07	0.09
Hardware.....	15	0.14	0.12	6	0.13	0.13	—	—	—	—	—	—	—	—	—	—	—	—
Stoves, ranges, steam heating apparatus.....	19	0.24	0.35	6	0.41	0.78	4	0.16	0.22	—	—	—	—	—	—	5	0.32	0.23
Other iron and steel products.....	129	0.08	0.06	29	0.08	0.04	12	0.05	0.04	16	0.09	0.15	18	0.13	0.21	54	0.07	0.09
Non-ferrous metals and their products, total.....	58	0.08	0.10	15	0.11	0.15	—	—	—	7	0.16	0.17	13	0.24	0.23	21	0.02	0.02
Jewelry and jewelers' supplies.....	27	0.19	0.23	6	0.17	0.21	—	—	—	—	—	—	10	0.41	0.43	10	0.22	0.27
Other non-ferrous metals.....	31	0.06	0.06	9	0.08	0.11	—	—	—	7	0.16	0.17	—	—	—	11	0.01	0.01
Machinery, not including transportation equipment, total.....	218	0.36	0.36	51	0.40	0.37	10	0.24	0.32	42	0.15	0.15	31	0.68	1.00	84	0.32	0.30
Electrical machinery, apparatus and supplies.....	90	0.21	0.19	21	0.21	0.18	5	0.25	0.29	24	0.14	0.16	12	0.74	0.73	28	0.14	0.09
Other machinery, apparatus and supplies.....	128	0.54	0.58	30	0.68	0.69	5	0.17	0.49	18	0.15	0.14	19	0.65	1.09	56	0.42	0.40
Motor-vehicle parts.....	43	0.10	0.13	10	0.22	0.33	4	0.29	0.18	8	0.09	0.07	6	0.05	0.07	15	0.06	0.08
Miscellaneous industries.....	71	0.20	0.20	26	0.22	0.20	5	0.08	0.08	21	0.36	0.40	7	0.12	0.18	12	0.17	0.10
U. S. Total.....	1590	0.18	0.20	483	0.18	0.19	140	0.14	0.21	288	0.17	0.20	216	0.24	0.30	454	0.15	0.18

# Why Jack Beats Bill.



# 1939 Adds to N. A. C. M. Traditions

## President Dan I. Bosschart Reports on Progress During Past Association Year

**THE** founders of our Association were men of unusual vision and their premise was that of truth and of right thinking.

Down through the years the structure has been broadened and strengthened and today every member can be proud of The National Association of Credit Men and proud of all that it stands for.

At the outset chaos, trickery, fraud, distrust and suspicion ruled the credit world. Everyone was for himself and the "Devil took the hindmost." Even the Devil himself was occasionally taken for a ride. As things were then it could not have been otherwise. There was no national bankruptcy act, no defense against dishonest transfers and sales. Granting credit across a state line was extremely hazardous. Also, the exchange of credit information was carried on in a very limited way.

Today the picture is different as a result of years and years of untiring effort and sacrifice. A union of mutual trust and intelligent understanding now exists. Credit managers, as a profession, have created a strong place for themselves in all industry, not perfect by any means and there is much work yet to be done.

Every association, whatever its form, reflects the personal qualities of its leader. In Henry Heimann we have a leader of outstanding vision and of outstanding ability. The National's record of accomplishment in the past ten years reflects this.

It has been a real pleasure to have had the opportunity of working with him—a man of high ideals, an outstanding economist and a very practical executive. Also, I have at all times been very deeply impressed with the loyalty of the men and women that comprise the National staff.

Notwithstanding that the entire membership (national and local) has been kept in touch with our many activities and accomplishments, I would like to briefly review them at this time.

The first will have to do with our legislative activities:—

Following the enactment of the Chandler Bill in 1938, it was possible for the legislative department to devote more attention during the past year to state legislative matters and to further improvement of the Association's general organization for legislative work.

As a member of the National Bankruptcy Conference, our representatives were invited by the Chief Justice of the United States Supreme Court to submit their views with regard to the revision of the general orders in bankruptcy. Many suggestions which were presented to the

court for the revision represented changes in the general orders. While all of these suggestions were not adopted, a number of constructive changes were made in the general orders, which will be of benefit to creditors and which will more than justify the efforts expended by the Association in that work.

Our national and state legislative committees have been very active on the Par Clearance program and the Two-Bond laws, the latter which protects material suppliers on public works projects. Then also, there was considerable legislative activities having to do with the elimination of certain dangerous provisions in the trust receipt laws of California, Illinois, Indiana and Connecticut.

Of outstanding importance is the work done during the year in the field of taxation. A special taxation committee was organized to take up all of the Association's activities in matters of tax legislation. The first work of that committee was to prepare a national tax survey: thousands of copies of which have been submitted to association members. At the same time careful plans have been made for the most effective use of the data which will result from that survey including the presentation of a report to federal and state tax authorities and to legislators. Further information regarding this vitally important subject will later be presented to all of our members.

In connection with the organization of legislative work, it should be emphasized again that every member should regard himself as individually responsible for the success of the Association's legislative program. Despite improvements in the general legislative work, there is still a considerable amount of antipathy on the part of many local Associations. The legislative work yields very substantial dollars and cents benefits to our members and those benefits are in direct proportion to the amount of work which individual members and local Association officers devote to legislative work. This is clearly evidenced by the results in those states where our local Associations are effectively organized for the work and where member cooperation is adequate but there is no reason why similar accomplishments should not take place in all parts of the Association.

Because of the fact that many state legislatures were still in session when this report was prepared it is not possible to give you a complete picture of legislative accomplishments during the year.

However, much has been done but there is much yet

to be done. Your Legislative Committee at all times needs your help.

The best evidence of the continued activity and popularity of the Association's Washington Service Bureau is the fact that service rendered by the bureau to members during the past year almost doubled. While most of these services were performed for individual member companies, some of them were performed for large groups of members who were interested in some matter involving an administrative department in Washington. The many voluntary testimonials received from our members that are using Washington Service Bureau adequately are the best evidence of the benefits which members can receive from that service if they use it in connection with their Washington problems; general information on government contracts, status of projects, status of claims pending against the government; general information regarding government purchasing and complete legislative information.

Every member is urged to take advantage of this service which your Association is maintaining in the nation's capitol.

Educational accomplishments in the past year have been exceptionally gratifying and worthy of comment.

There are thirty-six very active chapters of the National Institute of Credit: twenty-one of which were organized or revived this year. Also the future plans include the establishment of National Institute Credit chapters in twenty-two additional cities.

During the year, 9,000 copies of a new pamphlet "Forging Forward by Training in Credit" were issued to the various chapters for distribution to their scholars. Also, three hundred 50-page manuals were prepared and distributed to the various secretaries and educational committees during the past year.

The enrollment by college trained men and women has greatly increased also, graduate and senior classes have been organized in several cities.

A large number of Associations held bankruptcy forums which resulted in a better understanding of the new bankruptcy act.

Also, the participation in the Tregoe essay competition this year is more than three times what it was last year. The greatest is in Class B, among university juniors and seniors. Seventy-three essays were submitted this year.

Foreign Credit Inter-change: This department has been operated by the National for twenty years and is self-sustaining. It serves a very large group of exporters and each year issues approximately 60,000 reports. You will be interested in knowing that the percentage of reports issued upon inquiry is running about 75% and the average number of comments per bureau is in excess of 7.

Also, the bureau has been cooperating with various local Associations in furnishing them with foreign credit reports for their members and in some cases has been able to render certain special services that have been invaluable to the members of local Associations.

Fraud Prevention: This work is being carried on in a very successful manner. The activities in the past few years have been confined to an area in and about New York and Illinois and the New England states. However, in the year just closed, the department handled forty

investigations and has reported twenty-four convictions. Seventeen are either awaiting trial or are fugitives from justice. On numerous occasions the department has been called upon for information regarding the activities of old offenders and it can be truthfully stated that a large number of racketeers, who formerly operated in the territory now being serviced have discontinued their activities there and have gone elsewhere.

This does not mean to infer that commercial crime as a whole has been wiped out but it does indicate that by complete checking and investigating, fraud of this character can be reduced to a minimum.

This is a self-sustaining department and those interested in the cases pay the toll.

Public Relations: This department during the past two fiscal years broadened the scope of its activities. This has been particularly true in trade publications and business magazine fields. During the fiscal year just ended, 99 magazines have carried articles about our Association.

The Monthly Review of Business by the Executive Manager, in addition to direct mailing to each member is now also released in part to newspapers throughout the country as well as being sent direct to a special list of financial editors, business and banking leaders, high government officials and members of the United States Senate.

For the fiscal year just closed, in excess of 8,000 releases, featuring national and local activities, have appeared in our newspapers and trade journals throughout the country. The coverage of subjects was most

complete. Chandler Act—Par Payment of Checks—Undistributed Profits Tax—Educational—Development Program were features.

Since every executive in the country reads the financial pages of the daily press—the editorials—and his trade magazines he cannot help but gain a better conception of the importance of your work and the N. A. C. M. All of this publicity rebounds to your benefit.

Last November our Public Relations department in cooperation with our Fraud Prevention department arranged a nation-wide broadcast of a play based on the Association's fraud prevention work. Many of the local Associations arranged their meetings to coincide with the broadcast so it was featured as part of the evening's activities.

Publications: "A monthly postgraduate clinic on current methods and practices," is an apt description of our national magazine, *Credit and Financial Management*, recently made by a member of our National board. Just a glance through the pages of the last twelve issues of the magazine shows that *Credit and Financial Management* has continued its progress during the year and stands upon its own feet as one of the tangible features of N. A. C. M. membership.

Credit Manual of Commercial Laws, in its 32nd edition, also has gained new friends and prestige for the Association during the past year. With 37 state legislatures making changes in business laws during the past winter, the 1940 edition, which will be ready early in November, will be one of the most important in the long and useful tradition of this important N. A. C. M. pub-



lication.

In June of last year the book "Bankruptcy Law of 1938" was published. It met with unusual reader acceptance and was very much worth-while.

The sales of forms, financial statements, etc., showed a slight increase over last year. The new insurance statement form was developed the latter part of the fiscal year and is now being used by a large number of members.

"America's Balance Sheet" by our own Mr. Heimann has just been published and is receiving gratifying reception from our members and also from executives and economists throughout the country. Promotion of this book will be continued throughout the summer and your president recommends it most highly.

Mr. Heimann has put his whole energy in this work without thought of personal gain. It will interest you to know that the returns from this publication inures to the benefit of the national staff in the form of insurance.

Interchange Bureau: At the National Directors' meeting in New Orleans in January, the National Credit Methods and Practices Committee was definitely made a committee of action. This committee has since met and has put into effect new rulings which I am sure will be beneficial throughout the system.

There has been a slight increase in membership and also as regards usage. Our Central Bureau records for the last calendar year show about a 2% increase, which means from 5% to 7½% in the local bureaus.

It is definitely my observation that wherever the bureaus are putting proper promotion effort and contact behind it, it is producing very fine results and apparently will materially effect developments during the coming year.

Credit Interchange has been effected by the generally unsatisfactory business conditions of the past few months. However, usage has held up very well.

During the coming year, I am sure that progress will be made in simplification and standardization in operation which will have the two-fold effect of relieving the bureaus of a considerable amount of unprofitable and burdensome work and produce a better service.

In my opinion, there is no substitute in our profession for Credit Interchange. Poor information, not poor judgment, causes most credit losses."

Credit Groups: These have been operating in our various locals for the past twenty-five years and are in addition to the Credit Interchange activities. My observation has been that best results are to be had when every member of a credit group is required to also be a member of Interchange.

Proceeding in our resume of our activities, I will next speak of the Adjustment and Collection departments.

As you no doubt know, we have sixty-four approved bureaus, five of which operate branch offices, making a total of sixty-nine actual service units. Prior to this year, nine were operated by the service corporation and in the present fiscal year, three more—Baltimore, Atlanta and Richmond—were added.

Thirty-three bureaus were inspected during the year and eight other bureaus were contacted for other than inspection purposes. A good job is being done.

In my contact with many associations I find that the volume is up in some and down in others. This is true for both adjustment and collection volume.

However, I am convinced that our failure to get col-

lection volume is due more to our local bureaus' lack of effort than to general conditions. Regardless of the business that is available in the general field of commercial collection agencies I believe there is still ample volume available for the collection and adjustment bureaus of the National Association of Credit Men. It depends upon the support of the members and upon the promotional efforts of the local offices.

Membership and Sales: Membership is the back-log of our Association and the development of all activities depends upon the size of our membership.

Later in the convention a full report will be made by the chairman of the membership committee.

Frankly, I am disappointed in the net increase.

As regards resignations, we must give more thought and time to the retention of our present members and not permit them to resign. An ounce of energy used in retaining a member is equal to more than a pound of effort to secure a new one. Also, it is more difficult to resell a former member than a new prospect.

Development Fund: Our Development Fund program has been in progress for about two and one-half years and has one and one-half years to go.

While the fund which we realized was only approximately 50% of the goal we had set, the program originally promised was somewhat curtailed but the entire plan has been carried through in a very fine manner.

Without it the outstanding accomplishments in our legislative, educational, Washington service and membership activities, could not have been carried on to the extent that they were. The fund has been carefully administered by a special committee and our capable executive manager, Mr. Heimann. Later in our program a complete report on the Development Fund will be made to the convention.

Down through the years it has been my observation that credit managers take their Association too much for granted and also, they hold themselves too cheaply. On the other hand, some are only doing half a job.

Many credit managers must raise their sights and aggressively value their true worth. They should obtain more recognition from top management.

Few callings in the business world have the same importance as that of credit management. Some people view credit men in the light of collectors. Regretfully, I say that some of them are just that.

True credit management, however, has a much wider scope. Today the credit manager must be an analyst, a student of economics, a good judge of human nature, have the ability to be an adviser and counselor with the customers on his firm's ledgers, and be diplomatic, kind and tolerant.

As credit men and as credit women you have every facility today at your disposal to make you a better credit manager—every Association activity at your disposal to assist you in more intelligently appraising credits, and with quicker dispatch.

The independence of the credit department must at all times be unassailable. However, your slogan should be "minimum losses with maximum sales." Work close with your sales department. In this regard we have definitely entered into an era where large rewards will go to those who can successfully help solve the distributing problems of a business.

I bespeak your loyal and whole- (Cont'd on P. 49)

# SAVE HOURS IN THE OFFICE

by eliminating the handicaps  
that slow up office routine!

## Here is how Burroughs can help you

Burroughs accumulated experience in installing nearly 2,000,000 machines, especially designed to eliminate needless operations in the handling of business records, is available to executives concerned with meeting the Hours Problem in the office.

Burroughs is in a unique position to assist in a desk-to-desk survey, and to make unbiased suggestions and recommendations, because of the completeness of the Burroughs line of adding, calculating, accounting, billing, forms writing, typing, cash handling and statistical machines.

As almost every kind of office work can be handled on any one of several different types of Burroughs equipment, it is easy to choose exactly the method or the machine that will give maximum efficiency at the lowest cost.

The first step toward meeting the Hours Problem in an office is to survey the work on each desk. This determines whether employees are handicapped by routine that causes expensive bottlenecks, annoying peak periods, unnecessary duplications of records and needless operations. Eliminating some operations—and shortening others—can effect substantial economies in time, effort and money.

The booklet illustrated, "Ways to Save Time in an Office," suggests definite and practical ways to start a survey in your own office. For a gratis copy of this booklet, telephone the local Burroughs office, or write direct.



BURROUGHS ADDING MACHINE CO.

6037 SECOND BLVD., DETROIT, MICHIGAN

# Burroughs

*When writing to advertisers please mention Credit & Financial Management*

# First Year of Chandler Act

## Review of Some Features of Bankruptcy Law of Special Interest to Credit Men

By Paul H. King, Referee in Bankruptcy, Detroit, Chairman,  
National Bankruptcy Conference

**THE** subject of bankruptcy is one which concerns everyone, directly or indirectly,—a fact not generally recognized. For while the debtor and the creditor are immediately involved, the community and the business world generally are concerned. With nearly 50,000 cases concluded during the last fiscal year, involving a realization of more than 107 million dollars, the situation is one of major importance. Your own Bad Debt Loss Survey, the results of which are now being published in your excellent journal, "Credit and Financial Management", is concrete evidence of this fact.

In a business failure, the tendency is naturally to blame the debtor, who through mismanagement or misfortune has fallen into financial difficulties. Primarily, he is the one at fault, although it is self-evident that he alone could not have gotten into a position where he is unable to pay his debts. Someone had to join with him in producing the situation,—in other words, someone had to extend the credit which created his liability. The old saying that "it takes two to make a fight" is equally true in bankruptcy,—it takes at least two people to bring about an insolvency, the debtor *and the creditor*. Both may be entirely blameless in the relationship; either one or both may be at fault; the debtor should have known better under the conditions than to incur the obligations; the creditor should have had more sense than to permit it to be incurred. To the extent that the result could not be foreseen and the chances taken were reasonable, the risk is considered good business, a "risk of the road", which, if we are to have trade and commerce, cannot be avoided. In such event, obviously no one is to blame. It has ever been thus, since the dawn of civilization when possibly the untutored cave man made his stone utensils and sold them to his neighbors. It is true today, and no matter what form business takes, it will be true tomorrow. Wherever there is trade, there is credit and conversely debt; wherever there is debt, there is inability to pay it, and therefore insolvency; and wherever there is insolvency, there is in every well regulated government some means of clearing away the financial wreckage, and we have bankruptcy.

### Other Popular Misconceptions

The bankruptcy act and the bankruptcy court are blamed for many things, because largely someone or something must be blamed, and they are sufficiently impersonal to be charged with the responsibility. It is but human in misfortune to blame someone else. I had a friend one time who lost heavily in the stock market. Did he blame

himself? No, he most certainly did not,—he blamed his broker. So, we find the bankruptcy law being charged with the responsibility for tremendous losses in the business world, the fact that the losses would be there just the same, whether there is a bankruptcy law or not, being conveniently overlooked.

We find the charge that the law and its administration are wasteful. There is no question that there is a tremendous waste, but this is rather the fault of the conditions and the people involved. Approximately eighty-five percent of the loss takes place before the case ever reaches the court, and out of the remaining fifteen percent some people seem to expect the court to work miracles. As Judge Remington once said in my hearing, "There is no mysterious alchemy in the bankruptcy court which can transform the dross and dregs of a wrecked business into golden dividends with which to shower the creditors". It just cannot be done.

Many do not understand why it is not possible for someone to sit down and write a bankruptcy law that will meet all conditions and endure for all time. They overlook the fact that bankruptcy is an incident of trade and commerce, that these are not static, that conditions change and business methods and practices change. This is not the same world as the one in which the bankruptcy act of 1898 was first written,—the automobile, the radio, the aeroplane and their attendant changes have revolutionized and transformed our world. In many things, we have almost eliminated time and annihilated space. The nations of the earth, instead of being remote and isolated from each other, are brought into the closest proximity. We, therefore, in the writing of our bankruptcy statutes, must frequently revise and amend, in order to keep pace with changing conditions in a progressive world. Our experience is but that of every other civilized country. England, for example, has had forty laws during the last four hundred years.

Although roundly abused and sharply criticized, our bankruptcy law is in my opinion one of the best on our statute books, and in the main, is one of the best administered.

While more than three hundred changes were made in the Act, even the enumeration of which would, of course, be impossible in this comparatively brief discussion, these may be resolved into, or classified under, ten general objectives as follows:

1. To clarify certain of the definitions and to add desirable new definitions; to straighten out the statement of the acts of bankruptcy in order to avoid the

present overlapping of the third and fourth acts; and to enlarge the fifth act the better to cover and curb equity receiverships;

2. To increase efficiency in administration;
3. To make clearer the provisions relative to the jurisdiction of the bankruptcy courts;
4. To improve the procedural sections of the Act;
5. To tighten up the provisions for the enforcement of the criminal provisions of the law;
6. To minimize evasions by bankrupts and to grant certain new privileges in favor of bankrupts;
7. To make more effective the discharge provisions of the Act;
8. To perfect the sections relative to preferences, liens and fraudulent conveyances, and the title of the trustee;
9. To provide a more workable partnership section;
10. To prescribe improved procedures in the so-called "relief provisions" of the Act for individual compositions and extensions, corporate reorganizations, wage-earner amortizations and real-property arrangements; and

In general, to modernize and bring up to date the bankruptcy law of our country.

#### Principle of "Creditor Control" Preserved

As a general proposition, it should be pointed out that the principle of "creditor control" has been fully retained. There has been the charge dating back to the Donovan Report, so-called, in 1930, that "creditor control" has broken down; and consequent proposals based on this charge that administration should be taken from the creditors and put under the supervision and direction of a central governmental bureau. Such was the proposition embodied in the Hastings-Michener Bill of 1932, which was the result of the survey made by the Departments of Justice and Commerce in 1931 following the Donovan Report and the scandals which arose in the Southern District of New York in 1929.

The idea of bureaucratizing the administration of the bankruptcy law fortunately did not appeal to Congress, and the bill did not become a law. It was then that the National Bankruptcy Conference came into being. Its work was accepted and it now is known as the Chandler Act. While the Conference produced the substance of the bill, too much credit cannot be given to Congressman Chandler, of Tennessee, for his very able and devoted sponsorship of the measure in the House and for the fine collaboration of Senator O'Mahoney, of Wyoming, in the Senate. But for their splendid efforts, all of the hard work of the Conference would have gone for naught.

"Creditor control" is basic, the theory being that when a debtor becomes insolvent,—owes more than the sum total of his assets—what property he has over and above his legal exemptions belongs to his creditors, who through a trustee elected by them have the right to administer it under the supervision of the court.

Creditors have control of the initiation of the proceeding in an involuntary case; the selection of the trustee in all cases; through him the administration of the estate, including liquidation and distribution; and, finally, indirectly the discharge of the debtor. They *do* have control, as they should have, but frequently they very largely leave the responsibilities to the courts. This control has

been strengthened by the new law through the provision for official creditors' committees, and it is to be hoped that creditors will seize upon this and make it truly effective.

#### Four Points of Interest

While the credit man may be interested in many more phases of a bankruptcy case, there are at least four, it seems to me, in which he would normally be vitally concerned.

In the first place, he wants all of the *information* he can possibly secure; second, he wants to know whether or not there is a possibility of a *realization*; if so, how great; and what he must do to secure it; third, if there is to be a recovery, he wants *expeditious action* in obtaining it; then, finally, in the bankrupt or anyone associated with him has been guilty of wrong-doing, he wants that *wrong-doing punished*, either by the denial of the discharge or by invoking the penalties prescribed by the law, or by both. In brief, the Credit Man wants and should have full information, a realization as large as possible, expeditious action and the inflicting of punishment for any wrong-doing.

The Chandler Act endeavors to meet more adequately than ever before these requirements of the credit man. Let me briefly point out the ways in which these very proper demands are more fully met. I can do so but briefly, of course, for space does not permit of extended discussion. What I shall say, however, I hope, will point the way for individual analysis and study.

1. *Statements of Affairs*—I have always maintained that, even if the debtor cannot pay his creditors, they are at least entitled to know what he did with their money or property, and, therefore, that the fullest information should be made available through searching examinations and investigations. As a basis for these the new law provides a splendid device, the "Statement of Affairs", required to be filed within five days prior to the first meeting of creditors. At the suggestion of the Conference, two forms have been prescribed by the supreme court in the new general orders or general rules in bankruptcy,—one for debtors engaged in business and one for debtors not so engaged. In these Statements of Affairs, debtors are required to set forth general information about their condition not contained in the bankruptcy schedules. These statements will serve not only as the basis for examinations and investigations, but as valuable reference documents in the court files.

2. *Examinations*—Another of the great improvements in the law is that of making examinations of bankrupts *mandatory*,—there must be an examination in every case. All restrictions imposed by state laws as to the *examination of the spouse* of the bankrupt are removed. *Hostile witnesses* may be examined by the receiver or trustee as if under cross examination, the examiner not being bound by the answers. The new rules of civil procedure with reference to *discovery* are made applicable.

It will be evident, I am sure, that new sources of information have been opened up and new and effective means provided for securing it.

#### Second—Realization

*Major Procedures*—Naturally, the credit man is first concerned with the procedure which he must follow in order to bring about a realization, and this fact calls for

a brief discussion of the various steps to be taken.

At the outset, it is important for him to know that under the new law there are various proceedings provided to fit differing situations. If the case is one involving a "straight" bankruptcy, so called, he has, as before, the possibility of its being either a voluntary matter, that is, one instituted by the debtor himself, or an involuntary bankruptcy, one which he, the credit man, may begin, if the total number of creditors is less than twelve, or one, in the event of a larger number, which he with two other creditors, may inaugurate.

If the conditions are such that a liquidation may be avoided, it may be that the difficulties can be overcome through an "Arrangement", a proceeding very much like the old "Composition", only much more flexible. This is purely a voluntary method, which can only be followed, if, in the first place, the debtor can be persuaded to take it, and, second, if it will meet the situation. It may be used not only by individuals and partnerships, but by corporations, if no reorganization of capital structure is necessary and there are no secured debts.

In the event that the debtor is a corporation and relief cannot be obtained under an "Arrangement", a third proceeding is available, known as a "Corporate Reorganization". This may be brought about either by the debtor of its own accord or by three creditors, whose obligations total at least \$5,000. As its name indicates, it can only be used with corporations, and only then, as I say, in case the problem cannot be solved in an "Arrangement" proceeding.

#### **Two New Proceedings**

These are the major proceedings, but the law has provided two new special ones in addition to those already existing. Technically, I suppose I should say three, although the third one will never concern credit men. The special procedures, as I am terming them, already existing were those for Agricultural Extensions and Compositions under section 75 and Railroad Reorganizations under section 77. The new ones are Real Property Arrangements under Chapter XII and Wage-earner Plans under Chapter XIII, also the third one added to the bill in the Senate, "Maritime Liens". In all probability, the majority of credit men will not have occasion to become involved in any of these five so-called special procedures, for they will be the exceptions rather than the rule.

With regard to involuntary bankruptcies, there is an important change in the providing of a new act of bankruptcy,—the appointment of a receiver or trustee for a debtor's property not only when he is insolvent, but when he is unable to meet his obligations as they mature. While this sounds very simple, it is, indeed, a very great change, because it brings into bankruptcy administration the equity concept of insolvency, and, it might be of interest to add, the European concept.

Suppose we discuss, and but briefly, some of the principal changes in bankruptcy procedure, both voluntary and involuntary.

**Involuntary Cases**—In the initiation of an involuntary case, a relative or employee of the bankrupt and, if a corporation, the stockholders, directors or trustees and officers are not to be included in computing the number of creditors to ascertain whether there are twelve or less; neither are creditors who have participated in the act of bankruptcy or are preferred or are fully secured.

After the involuntary petition is filed, creditors are not now permitted to come in and oppose the involuntary petition, for usually the only purpose of their opposition is to protect preferences.

#### **Both Voluntary and Involuntary**

**Election and Removal of Trustee**—Some important changes have been made in this connection. The law now prohibits relatives and, if the debtor is a corporation, stockholders, directors and officers, from voting in the selection of the trustee. The domination of administration by small creditors or the blocking of the election of a trustee by the substantial creditors is eliminated through the provision that claims of less than \$50.00 shall not be counted for number, but shall be included in amount. The court now fixes the bond of the trustee instead of the creditors, and may remove on its own motion, without complaint by creditors, the trustee in any case.

**Filing of Claims**—There have been material changes in the provisions for the filing of claims. The six months' period now dates from the first date set for the first meeting of creditors instead of from the date of adjudication. This will, of course, operate to extend the time. The limitation applies to governmental claims, which was not formerly the case, except that the court may for cause shown grant an extension. Contingent and unliquidated claims may now be filed and may be determined, if their determination will not too greatly delay the administration.

**Creditors' Committees**—An innovation in the Chandler Act is the provision for creditors' committees. These may be had in any normal bankruptcy case or in an "Arrangement". They are not appointed in Corporate Reorganization cases under Chapter X. Committees have no administrative function, but "may consult and advise with the trustee in connection with the administration of the estate, make recommendations to the trustee in the performance of his duties and submit to the court any question affecting the administration of the estate". This provision, of course, is designed to strengthen creditor control and to make it still more effective. It is to be hoped that extended use may be made by the courts on the initiative of creditors. Effectiveness will obviously depend largely on the creditors in any case,—in other words "it's up to you".

#### **Provisions Designed to Increase Realization**

Numerous changes have been made in the law to facilitate recoveries, to eliminate priorities, to bring in certain after-acquired assets and thereby increase realizations.

In facilitating of recoveries, the most important of these amendments are those requiring the filing by the bankrupt, on order of the court, of a *cost inventory* of his merchandise or other property as of the date of his bankruptcy. This will greatly facilitate "turn-over proceedings," so called, in which there is usually difficulty. Another is the *coordination of proceedings in other courts* with the bankruptcy proceeding. In this, receivers or trustees appointed in proceedings not under the Act and even assignees for the benefit of creditors and agents authorized to take possession of or to liquidate property may be required to deliver it over to the bankruptcy receiver or trustee and to account to the bankruptcy court for the disposition by them of the property of the bankrupt, provided that the appointment of the receivers or

# JOHN PAUL JONES



Some historians have pictured him as a rough seafaring man possessing many of the characteristics of a buccaneer or pirate; but Miss Edes-Herbert, the daughter of a British agent in Paris, paints a very different picture of our great naval hero, whom she met at a salon of the Marchioness de Marsan. Here is her remarkable description:—"A man of about thirty-eight years, five feet seven inches tall, slender in build; of exquisitely symmetrical form, with a noticeably perfect development of limb. His features are delicately molded, of classical cast, clear cut, and when animated, mobile and expressive in the last degree, but when in repose, sedate almost to melancholy. His hair and eyebrows black and his eyes large, brilliant, piercing, and of

Thus did John Paul Jones appear to the fair sex of an enemy country. He died on July 18th, 1792, in Paris.

**The Home, through its agents and brokers, is America's leading insurance protector of American Homes and the Homes of American Industry**



*The* HOME INSURANCE  
COMPANY  
NEW YORK

*When writing to advertisers please mention Credit & Financial Management*

trustees, assignees or agents was within four months of the bankruptcy. Upon such an accounting, the bankruptcy court may re-examine and determine the propriety and reasonableness of all disbursements and, if the payment has not been approved, on notice to creditors and other parties in interest, by a court of competent jurisdiction prior to the bankruptcy, surcharge such receivers or trustees, assignees or agents with the amount of any disbursements determined by the court to have been improper or excessive.

A third change in this connection is with regard to *ancillary proceedings*, or those conducted in other jurisdictions than the one in which primarily the case is pending, but under the Act, as amended, these will be less frequent and will not therefore often come within your routine activities. In general, it may be said that ancillary procedure has been "straightened out", and the confusion heretofore existing avoided.

Much has been accomplished for general creditors in the elimination of state priorities. Taxes, of course, are not affected, but all other priorities given by State laws, except for rent in some of the states are abolished.

#### *After-Acquired Assets*

The bringing in of certain after-acquired assets is "brand new", and represents an important departure in our law. Heretofore, the adjudication has been a "cut-off", so to speak,—everything in the way of property not exempt which the bankrupt had prior to the adjudication has been considered to belong to the creditors, while everything he acquired after that has been his. So much criticism has been heaped upon the law because of the occasional inheritance coming to the debtor soon after his adjudication, in which creditors have not been allowed to participate, that the Bankruptcy Conference included a provision that any property coming to a debtor within six months after his adjudication or any other property through inheritance, remainder, the termination of estates by the entirety, and similar interests inure to the benefit of creditors. While most interesting in its legal phases, it is not expected that it will produce substantial practical results, although in occasional cases it may be helpful.

General creditors will be greatly benefited by the clarifying of the provisions with reference to preferences, liens and the title of the trustee. A clear cut definition of a preference is provided and the procedure for recovery plainly defined. The substance of the Uniform Fraudulent Conveyance Act is included within the lien section and the title of the trustee is extended. Also, under the new law title vests from the time of the filing of the petition in bankruptcy rather than from the date of adjudication.

#### *Third—Speeding up the Proceedings*

*Shortening Administrative Periods*—Prompt action in administration is promoted by numerous amendments. Procedure generally has been speeded up by the shortening of administrative periods. The time for the *filing of schedules* by an involuntary bankrupt has been reduced from ten days to five days and a voluntary bankrupt is required to file his schedules with his petition, as was the case prior to 1926, instead of within ten days after the filing. Again, the period within which *service of the petition* in involuntary proceedings shall be returnable is

reduced from fifteen days to ten days, unless the court shall, for cause fix a longer time. In *service by publication*, the return day is made five days after publication instead of ten, and but one publication is required instead of two, thus saving an additional week. *Trustees' bonds* are now required to be filed within five days instead of ten days from the date of appointment, and the provision is made applicable to receivers as well. In *sales*, the court is permitted, on cause shown, to shorten the time of notices or to order an immediate sale without notice. Where there are *unclaimed dividends*, the time for holding them has been reduced from six months to sixty days, and cases may thus be closed four months earlier than heretofore. Finally, giving the bankruptcy court *summary jurisdiction* in the enforcement of the obligations of bonds, the determination of the value of securities, the recovery of excess dividends, and the setting aside of preferential liens cannot help but expedite the proceedings.

*Procedural Improvements, Generally*—Of the improvement of the procedure generally there are many instances. Among these may be mentioned the *enlarged jurisdiction of referees*. As you undoubtedly know, their powers and duties have been extended to include the granting or denial of discharges in bankruptcies, or revoking them, and to the confirming or refusal to confirm Arrangements or Wage-earner Plans, or setting them aside. Provision is made for the *reference of cases to referees prior to adjudication* for the purpose of supervision. A progressive new section on *partnerships*, straightening out many of the difficulties of this complex subject in bankruptcy, is provided. The practice on *appeals* which has troubled lawyers for forty years has been simplified. *Receivers* have been given a new and definite status in bankruptcy administration which will be most helpful in preliminary proceedings.

From the standpoint of the bankrupt, and credit men will, I am sure, approve, the *discharge provisions* of the Act have been very greatly improved, it being unnecessary for the debtor to file an application for discharge, unless a corporation, as the adjudication is now an automatic application. On the other hand, the position of the creditor in discharge proceedings is greatly strengthened. The trustee may oppose the discharge without the unnecessary and cumbersome formality of securing formal authorization from creditors and, in the public interest, the United States Attorney when requested by the court is required to examine into the acts and conduct of the bankrupt and, if satisfied that probable grounds exist for the denial of the discharge and that public interest warrants, to oppose the discharge in like manner as provided in the case of a trustee.

While the bankruptcy proceedings are pending, the *statutes of limitation* are suspended, so that in the event of the failure of the proceedings, time has not run against the claims of creditors.

#### *Tightening up Criminal Provisions*

The fourth objective of the credit man, punishment of the bankrupt if the facts warrant, has been made more sure and certain, the alternative of a fine or both fine and imprisonment having been added, because of the belief that convictions have been difficult to secure in the past on account of the unwillingness of juries to convict when the only punishment prescribed is imprisonment. The alternative will undoubtedly be helpful in

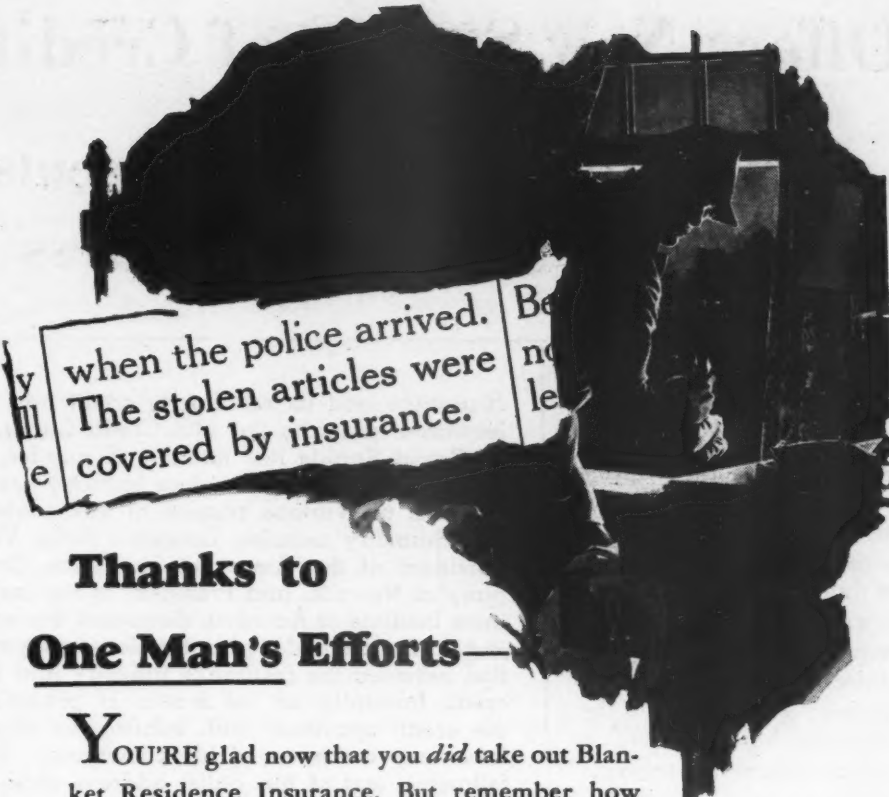
providing punishment when it should be inflicted. Concealment of assets is made a continuing offense until the discharge of the bankrupt, and the penal provisions of the statute have been extended to cover the new procedures as well as bankruptcy proper.

We are all concerned, of course, as to how the new law will work. The old adage "that the proof of the pudding is the eating", is certainly applicable here. No matter how well-intentioned or well-designed the law may be, if it does not produce the desired results, then is our effort in vain. Happily, we can feel that the experience under the Chandler Act, which took effect on the 22nd day of last September, though limited, is good, and we can take assurance for the future.

#### Conclusion

My concept of the bankruptcy law is, that it is not only a necessary economic device, but it is a social agency. There is much more to it than the charging off of commercial losses, substantial though they are; than the grinding out through judicial processes of a large number of bankruptcy cases and the perfunctory discharge of many debtors who are unable to meet their obligations. If there were no more to the process than that, it would, indeed, be dull and dreary and unworthwhile.

Instead of these drab attributes, we can, it seems to me, vitalize the whole matter by considering in the first place that a constructive service is being rendered through the clearing away of the unavoidable wreckage incident to trade and commerce. Unfortunately under our system but a comparatively few new ventures succeed. This is due to a variety of causes,—they may be impracticable to begin with, inadequately financed, improperly managed, displaced through obsolescence or overtaken by conditions beyond control. This wreckage is bound to occur. Perhaps we should be wise enough, possibly we will be some day, to avoid much of it. We might well be thinking in terms of prevention. Perhaps we should say to the person about to engage in business "you must have a practicable project; you must be adequately financed; you must furnish proper management; you must provide a reserve against business misfortune or depression; you must establish a sinking fund to refinance your business in case the march of time depreciates it". We have not yet arrived at that stage, and it may be that (Cont'd on p. 48)



when the police arrived.  
The stolen articles were  
covered by insurance.

## Thanks to One Man's Efforts—

**Y**OU'RE glad now that you *did* take out Blanket Residence Insurance. But remember how you tried to stall-off your U. S. F. & G. Agent? How he kept after you until you bought?

It's your turn to thank him now. And you will, too—for his persistence, and for the prompt and equitable way the U. S. F. & G. settled your claim.

Burglary was only one of the several kinds of losses covered by your Blanket Residence policy.

★ ★ ★

Your U. S. F. & G. Agent is one of 9,000 located throughout the country. He's in touch with countless business and personal insurance problems. It's his job to help you. Look him up in the telephone book—and give him a call today.

# U.S.F.&G.

UNITED STATES FIDELITY AND GUARANTY COMPANY

*with which is affiliated*

FIDELITY & GUARANTY FIRE CORPORATION

HOME OFFICES: BALTIMORE

*"Consult your Agent or Broker as  
you would your Doctor or Lawyer"*

*When writing to advertisers please mention Credit & Financial Management*

# Offers New Source of Credit Information

## Insurance Leader Presents Plan at Credit Congress

**I** am privileged to represent the insurance business. Ours is not a science, nor a profession, but a business, dependent for its successful operation upon the same practical considerations upon which you depend in your businesses. You gentlemen are primarily concerned with credits and the business of sound credit extension. You, and we in the insurance business, have a common interest and responsibility—we are both in the business of conservation.

Produce and animals are raised; raw materials are manufactured into usable products; bridges, buildings, ships and railroads are built; and wealth is created which will finance continued agricultural, industrial and financial progress, if that accumulated wealth be not invested nor loaned except where it will be secure, and if it be conserved and protected against dissipation by the natural hazards to which it is subject, and the artificial perils which each advance of civilization brings.

Energy, initiative, and ambition can be encouraged to contribute to the creation of more wealth, and to sustain the people in gainful employment, if men can borrow the use of other's money to finance their undertakings. Money, which man can neither eat, nor wear, nor use for fuel, can go to work and earn a return, if you and your principals can extend credit to other businesses with reasonable prospect that your money will be safe in those hands. By experience you have learned that men of integrity, engaged in sound, lucrative enterprises, have failed in their engagements to return the moneys they borrowed, and have failed to meet their credit obligations, because the occurrence of an unforeseen catastrophe has wiped out their assets, and interrupted or permanently destroyed their earning power, upon which factors their credit standing was based. Mr. Henry Heimann, Executive Manager of the National Association of Credit Men, said to the Chamber of Commerce of the United States: "From the bitter experience in the past credit executives know the terrible toll that has been taken of business because of careless managements that failed to recognize the need of insurance. One of the final checks

Insurance and its relation to credit had an important place in the 44th Credit Congress in Grand Rapids last month. A number of addresses were made before industry group sessions on various phases of this subject. On Thursday morning Laurence Falls, Vice President of the American Insurance Company of Newark, and President of the Insurance Institute of America, discussed this subject and presented a plan for closer cooperation between the insurance industry and the credit fraternity on the matter of providing the credit appraiser with information about insurance coverage of his customers. The following text of Mr. Falls' address gives a very comprehensive discussion of his plan which is aimed to enlist the services of some 150,000 insurance agents as sources of credit information as it applies to insurance coverage.

in an appraisal of responsibility will call for an accurate survey of insurance coverage."

That this enormous loss was partly due to insufficient insurance is the considered opinion of your Executive Manager — not mine, nor that of any insurance man. Observe the stress Mr. Heimann then laid upon an accurate survey of insurance coverage in an appraisal of responsibility.

Following a survey by your Association into the extent to which credit men had investigated the insurance protection carried by credit applicants, the New Jersey Association of Credit Men gave an entire evening meeting,

in November, 1936, to the consideration of insurance and what it could do to help them in their jobs. They wanted to know how insurance could be employed to more and better advantage in the extension of credit, and particularly they wanted to know how a credit man could find out if the applicant carried adequate insurance. The insurance statement form was then prepared, revised, and finally adopted by the Insurance Committee of the National Association of Credit Men at your annual meeting, in San Francisco, a year ago. This form was again revised last December under the valuable guidance of Risk Research Bureau, and many, if not most, of you have seen or used it. That form met some of the objections which you older credit men will remember were faced by the financial statement when it was introduced in passing upon credit.

The practical value of any assistance in credit analysis could be obtained best from practical credit men, and so we met again with our friends, the members of the New Jersey Association of Credit Men, and throughout a long evening meeting we discussed the use of the insurance statement form. Some credit man said that to insist upon this filing of additional information by the customer of his house would create sales resistance; that the salesmen objected to its use because it was hard enough these days to get an order with no questions asked of the customer; and, most important of all to insurance men, some very friendly and thoroughly

(Cont'd on p. 43)

# NEWS ABOUT CREDIT MATTERS

A section devoted to local  
Credit Association affairs

July, 1939

Copy deadline:  
15th of month

## Two convicted for credit frauds in Oklahoma City

Oklahoma City—Local credit executives have been watching the recent progress of two bankruptcy cases. One concerned a retail auto supply store at Enid, which had been operated by Gus Craig and the second case concerned an individual named John Farris.

Craig went into bankruptcy in November 1936, and the trustee took over assets from which he received \$5,000 in cash. Examination indicated that some months before bankruptcy, Craig had sold a large amount of auto supplies to one Alma Fritz, of Emporia, Kansas. All other transactions had gone through the books but the money supposedly received from Miss Fritz did not go through the books nor the bank account. Craig testified that he sold this merchandise to Miss Fritz and was paid in cash and that he then spent all of it.

E. E. Barbee, Secy.-Mgr., Oklahoma Wholesale Credit Men's Assn., was elected trustee and worked with the U. S. Dept. of Justice in an investigation covering five states. As a result it developed that the sale to Alma Fritz was a fraudulent sale. Craig's relatives raised \$7,500 in cash which was turned over to the trustee without reservation and Craig and Alma Fritz pleaded guilty.

Both were sentenced to 15 months in the penitentiary and both put on probation and creditors received 91 cents on the dollar after all the expenses of the bankruptcy had been taken out. Mr. Barbee received a splendid letter from J. Edgar Hoover after this case was closed.

John Farris went into bankruptcy in January 1937. Prior to bankruptcy he had issued a financial statement showing a very healthy business condition but at the time of bankruptcy most of the assets listed in the statement were gone. Mr. Barbee was elected trustee and secured a Turnover Order for \$8,000. The Judge recommended criminal prosecution and the Department of Justice worked on this with the result that Mr. Farris was indicted and sentenced to 18 months in the penitentiary and is now serving his term in the Federal penitentiary.

## F. C. I. B. active in Foreign Trade Week

New York—The N.A.C.M. Foreign Credit Interchange Bureau actively supported Foreign Trade Week in New York, May 21-27. Kenneth H. Campbell, Manager, Foreign Credit Interchange Bureau, was chairman of the Speakers Bureau of the New York Foreign Trade Week Committee.

## H. J. Berthold, St. Louis, and Albert Siegel, Chicago, win annual Tregoe Essay Contest

New York—Winners in the fourth annual J. H. Tregoe memorial prize essay competition, which is conducted annually by the National Institute of Credit of the N.A.C.M., were announced at the recent Grand Rapids Convention of the N.A.C.M. The first prize in class A, which includes past and present students of the National Institute of Credit, went to Harold J. Berthold, member of the St. Louis Chapter, for his paper entitled, "Little Junior, What Now?" In class B, which comprises students in accredited schools of commerce throughout the country, Albert Siegel of the University of Chicago was the winner with a discussion of the subject, "Limitations of Utilizing Accounting Information for Credit Purposes." Each of these individuals received a cash award of \$100.00.

The remaining winners in class A were, second, Carleton A. TerBush, of Drexel Hill, former member of the Philadelphia Chapter, whose subject was "Do and Over-Do—The Evolution of a Collector;" third, William A. Duvel of Boston, former member of the National Institute of Credit, whose subject was, "Bankruptcy—Creditors Before, During and After;" and fourth, Allen Rogers of New York, present member of the New York Chapter, whose subject was, "Any Working Capital Needed?" Second, third and fourth prizes carried cash awards of \$40.00, \$20.00, and \$10.00 respectively.

Second, third and fourth prizes in class B were awarded respectively to the following: Carl E. Long of Louisiana State University, whose subject was, "The Use of Financial Statements in Granting Credit;" Edward R. Wepman of Miami University, whose subject was, "Installment Selling;" and Miss Jimmie Gray of Louisiana State University, whose subject was, "Legal Aspects of Credit." The same cash awards were made to these three.

In the honorable mention list there were six named in both class A and class B. They included in class A the following:

Leonard Berry, Credit Manager, B. For-

man Company, Rochester, N. Y., Title—"An Inquiry Into Credit 'Pressures.'"

Charles W. Hutchinson, Asst. Supt., Dearborn Paper Products Co., Chicago, Ill., Title—"Education for a Credit Profession."

F. W. Colvin, Credit Manager, Allegheny-Arrow Oil Co., Canton, Ohio, Title—"Operating a Business on Borrowed Money."

Robert E. Berg, 359 East 163rd St., New York City, Title—"Flocking to the Factor."

Joseph W. Radke, Asst. Cr. Mgr., Fred-  
eric Stearns & Company, Detroit, Mich., Title—"Ratio Hazards."

L. C. Kemming, Credit Mgr., Tone Bros., Des Moines, Iowa, Title—"Credit and the Common Weal."

In class B the honorable mentions include:

Lindsay Telford, Texas Technological College, Lubbock, Texas, Title—"FHA Insured Credit."

John Mobus, University of Southern California, Los Angeles, Cal., Title—"The Credit Manager—Number 2 Salesman?"

Frank Guzik, Texas Technological College, Lubbock, Tex., Title—"Gathering Information for a Mercantile Agency."

Coy W. Dean, Texas Technological College, Title—"Credit Unions."

Lowell R. Gano, Butler University, Indianapolis, Ind., Title—"Economic and Social Implications of Installment Selling."

Eileen Holland, Texas Technological College, Title—"Credits and Collections."

## Scully presented with watch by former G-men

New York—Charles J. Scully, Director, Fraud Prevention Department of the N. A. C. M., was presented with an engraved watch at a dinner meeting held May 17th in Schrafft's Restaurant by the Society of Former Special Agents of the Federal Bureau of Investigation, Inc., of which Mr. Scully was the first president, serving two terms. The gift was presented by A. Bruce Bielaski, Chief, Arson Squad, National Board of Fire Underwriters, a former Director of the Federal Bureau of Investigation. Mr. Scully prior to taking over his present duties was in the employ of the Federal Bureau of Investigation.

## Moran speaks on insurance-credit

Chicago—E. B. Moran, Central Division Manager, N. A. C. M., was Chairman of the April 27 Sales Clinic, sponsored by the Chicago Sales Executive Club at the Bismarck Hotel, and covering the subjects of relationships of business firms with customers, salesmen, and employees.

On Tuesday, May 9, Mr. Moran spoke on "Insurance, Fire Prevention and Credit" before the meeting of the National Fire Protection Association in this city.

## Association activities

### Grand Rapids:

At the annual meeting on May 15 of the Grand Rapids A. C. M., over 200 members and guests were present to hear an excellent speaking program and take part in the election of new officers and directors. Sixteen past presidents of the Association were in attendance and were honored with an appropriate message from retiring President Maurer. The new officers and directors for the coming year are: George Erhardt, Breen & Halladay Fuel Co.; 1st Vice Pres., Fred Luneke, Grand Rapids Bedding Co.; 2nd Vice Pres., Russell Fairles, National Bank of Grand Rapids; Treas., Clayton W. Kuning, Peoples' Nat'l Bank of Grand Rapids; C. S. MacDonald, Standard Oil Company; A. F. Zoellner, John K. Burch Co.; C. F. Anderson, Grand Rapids Varnish Co.; M. N. Zeigler, John Widdicomb Co.; E. G. Sullivan, Metal Office Furniture Co.; Geo. Osterhouse, Browne-Morse Co., Muskegon; Wm. H. Maurer, American Seating Co.; Elmer Hurt, Richards Manufacturing Co.; L. E. Nykamp, Grand Rapids Fibre Cord Co.; E. R. Meggs, General Electric Supply Co.; George Cowlishaw, Grand Rapids Wood Finishing Co.; J. Vande Bunte, Blackmer Pump Co.; Fred W. Mare, Alabastine Company, and Edw. Kettner, Michigan Hardware Co.

### Louisville:

It wasn't all bull at the spring fiesta of the Louisville C. M. A. even if Ferdinand, present in person, schottisched and languished, even almost swooned at a bouquet's bouquet. After the tambourines and castanets had been silenced, the Association re-elected unanimously for the second time R. B. Gratzner as President; elected Berl Boyd, Vice Pres. and chose as Directors for two years, Stuart Campbell, John G. Davidson, Alvin Linker and W. B. Talbot. Mr. Linker, who also is Treasurer, said 136 new members were added during the year, bringing the total to 736 members.

### Worcester:

Past N.A.C.M. President Paul Fielden, Norton Co., has accepted General Chairmanship of the New England Credit Conference scheduled for this city October 24 to 25. Meetings have already been held by officials of the various associations participating in this Conference and committees are already at work on plans for the meeting.

### Richmond:

Thomas C. Boushall, President, Morris Plan Bank of Virginia, was the guest speaker at the annual meeting of the Richmond A. C. M. on May 24 at the Hotel John Marshall. A second feature was the election of officers and directors for the new year.

### Syracuse:

Joseph E. Reese is the new manager of the Syracuse office of the Service Corporation of the N. A. C. M., it was announced recently by William H. Kearney, Pres., Syracuse A. C. M. Mr. Reese will also serve as Secretary of the Syracuse Association. He took over his new duties on June 1. Prior to this position he was on the N. A. C. M. staff, active in various assignments including sales and promotion activity in several eastern cities.

### New York:

Charles L. Riegel is the new President of the New York C. M. A., succeeding John L. Redmond. Mr. Riegel, of the General Electric Company, was elected on May 18 together with the following slate of officers: 1st Vice Pres., Harry J. Delaney, Meinhard, Greeff & Co., Inc.; Vice Pres., William M. Watson, Socony-Vacuum Oil Co., Inc.; Vice Pres., Frank E. Byrne, Cannon Mills, Inc.; Vice Pres., H. C. Meloney, Richard Hudnut; and Treasurer, P. M. Haight, International General Electric Co.

### Binghamton:

The annual Presidents' dinner of the Triple Cities A. C. M. was held in the Arlington Hotel on May 31 with David A. Weir, Asst. Executive Manager of the N. A. C. M. as the featured speaker. Many wives and friends of members, as well as the members of the Triple Cities Credit Women's Club, joined the gathering.

### Omaha:

George O. Gill, Credit Manager, World Publishing Co., was elected President of the Omaha A. C. M. at the May dinner meeting to succeed Harold R. Burke. Other officers and directors for the new year are: 1st Vice Pres., F. A. E. Hanson, Crane Co.; 2nd Vice Pres., Charles R. Moore, A. Y. McDonald Mfg. Co. and Gus P. Horn, Executive Manager. The directors are: Mr. Gill, Mr. Hanson, Frank Korous, B. W. Stauffacher and H. C. Zimmerman.

### New Orleans:

The role of government in relation to business was discussed by P. J. Schlesinger, C. P. A., at the May dinner of the New Orleans C. M. A. Following his talk, R. L. Simpson, National Director, N. A. C. M., led a discussion on the national tax survey conducted by the Association. J. A. Monier, Jr., President, New Orleans C. M. A., acted as toastmaster.

### Seattle:

Installation of newly elected officers was a feature of the May dinner meeting of the Seattle A. C. M. in the new Washington Hotel, May 15. Rev. J. Warren Hastings spoke on "America . . . Land of the Free," and Caspar W. Clarke, Exec. Vice Pres., Pacific National Bank, discussed "Rehabilitation of the Municipal Railway." The Association's new officers are: Pres.,

A. S. Porter, Sunset Electric Co.; Vice Pres., F. J. McKeown, Albers Bros. Milling; Secy., C. P. King.

### St. Paul:

Election of officers and directors featured the May meeting of the St. Paul A. C. M. The new leaders are: President, S. C. Brennom, Paper, Calmenson Co.; Vice Pres., H. T. Ready, U. S. Bedding Co. Directors are: John H. Cooper, Frank J. Herman, W. H. Goranson, W. T. Miller and E. E. Schoen.

### Milwaukee:

The officers for the coming year recently chosen by the Milwaukee A. C. M. are: President, Fred H. Zens, Standard Oil Co.; Vice Pres., Geo. J. Christiansen, Hummel & Downing Co.; Treas., A. L. Kohlmetz, Patek Brothers, Inc.; Secy.-Mgr., H. S. Garness. Directors are: A. Z. Eberhardt, A. E. Sielaff Paper Co.; Arthur P. Schmidt, Huth & James Shoe Co.; T. C. Turner, Phoenix Hosiery Co.; R. P. Blowney, Westinghouse Elec. Sup. Co.; Leo Sorenson, Geo. Ziegler Co.; Wm. Wanvig, Globe-Union, Inc.; Frank G. Herbst, Herbst Shoe Mfg. Co.; F. O. Reibold, National En. & Stamping Co., and J. R. Boedecker, Jewett & Sherman Co.

### Detroit:

At the 43rd annual meeting of the Detroit A. C. M. the following officers were elected: Pres., H. Dale Palmer, Detroit Steel Products Co.; 1st Vice Pres., Reed D. Andrew, American Blower Corp.; 2nd Vice Pres., Harry J. Offer, The Detroit Edison Co.; Treas., Howard E. Ryan, Buhl Stamping Co.

The following new directors were elected for a two year term: Kenneth B. Coates, Great Lakes Steel Corp., Ecorse, Mich.; Gerald F. Dewhirst, National Bank of Detroit; Chas. Fallon, Frazer Paint Co.; Chas. W. Hess, Seaman-Patrick Paper Co.; John C. Hoffman, Huron Portland Cement Co.; H. J. Lowry, Michigan Mutual Liability Co.

The following are committee chairmen for the present fiscal year: Adjustment Bureau Committee, Chas. W. Hess; Credit Education Committee, C. C. Readhead, All Metal Products Co., Wyandotte, Mich.; Entertainment Committee, H. J. Lowry; Finance Committee, Howard E. Ryan; Good Fellowship & Attendance Committee, M. C. Emery, Bull Dog Electric Products Co.; Interchange Committee, John C. Hoffman; Legislative Committee, Wm. H. Cook, Concrete Steel Fireproofing Co.; Membership Committee, Harry J. Offer, The Detroit Edison Co.; Trade Group Committee, Chas. Fallon.

### Jos. J. Merskosh

Chicago.—Jos. J. Merskosh, Vice Pres., Modern Boxes, Inc., died May 21 in his 46th year. For many years he was a member of the Chicago A. C. M., and an active member of the Rainbow Chapter, Veterans of Foreign Wars. Burial was at Two Rivers, Wisconsin.

## InfoNIC

**Babson Park, Mass.**—The Babson Institute recently sent a delegation of 30 students to visit the N. A. C. M. offices. R. F. McCollum and K. H. Campbell explained the intricacies of the Credit Interchange System and Charles J. Scully described the work done by the Fraud Prevention Department.

**Cleveland**—Plans are under way in the Cleveland Chapter for greatly increased activities, and the organization and planning of next year's Institute program.

**New Orleans**—The Chapter sponsored an annual sports tournament May 25 at the Colonial Country Club. This was followed by a dinner and a dance.

**Chicago**—The Chicago Chapter presented a mock radio program "Credit Information, Please." Rus. Carrier acted as Announcer and Bert Masslich presided as Quiz Master. The ten qualified executives who dared any and all to stump them with questions involving credit management were: Austin, Killacky, Holman, Hadley, Claussen, Kasch, Bonson, Swisher, Krause, Becker.

**Cincinnati**—The May Forum meeting was held at the Women's Building on the University Campus. Mr. Harry Voss, Manager of the Cincinnati Association, spoke and answered questions on the subject "Experiences in Bankruptcy, Receiverships and Adjustments."

The Chapter is still seeking a good name for its monthly bulletin.

**Rochester**—The annual meeting of the Rochester Chapter was held at the Locust Hill Country Club on May 3. New officers were elected, annual reports were read and Certificates and awards were presented. The fortunate members who received the awards of Associate and Fellow were presented with Institute keys by the Chapter.

Arrangements have been made with the University of Rochester to offer a formal educational program during the coming year. Special tuition rates will be given to members of the Chapter.

**Sioux City**—National Director L. Motz, at the annual meeting of the Association, held Thursday, May 25, presented Certificates to all those who had completed a year's work in the local Chapter. Instructors who conducted these courses during the past season, Mr. M. B. Miller, of the Department of Economics, Morningside College, and Mr. T. N. McClure, Business Manager and Instructor in Accounting at Morningside College, were guests of the Association.

The speaker of the evening was Mr. Miller. His subject was "Pros and Cons of Government Spending."

**Louisville**—Arrangements have been made with the University of Louisville to offer an advanced course in Credit Management, in addition to other Institute courses.

**Pittsburgh**—The annual meeting of the Pittsburgh Chapter was held June 6. Certificates for awards were presented. Carl H. Henrikson, Director of Education, addressed the meeting on the subject "The Responsibilities of Credit Management."

**Baltimore**—The credit fraternity and members of the Baltimore Chapter held their annual meeting on May 25. Mr. A. E. Duncan, Chairman of the Board of the Commercial Credit Company, assisted in presenting the awards. Mr. Paul Millians gave an address on the subject of "The Rising Profession of Credit Management."

**Albany**—George C. Kugler reports that the annual meeting of the Association, at which Certificates were given out by Mr. A. Louis Morrison, Chairman of the Educational Committee, was the largest Association turnout of the year. Both Mr. McGowan, President of the Eastern New York Association, and Mr. Kugler, former Secretary, are confident that the Institute program next year will be bigger and better than ever.

**New York**—The Educational Committee, encouraged by the success of the post-graduate course in Insolvency Problems, are planning an increased program of the seminars for the coming year.

## Promotions

**Chicago**—G. C. Johnson, former Manager, Chicago branch, Quaker City Rubber Co., has been promoted to General Sales Manager of this company with headquarters in Philadelphia.

H. C. Heine, former Credit Manager, has been made Branch Manager in Chicago with E. Asbridge as Asst. Manager.

**Dallas**—R. R. Gilbert, 1st Vice Pres., Federal Reserve Bank has been made President of that institution.

**Rochester**—E. B. Milliman, previously Vice Pres., Union Trust Co., has now taken over duties as the President of the Central Trust Co.

**Chicago**—Rose Schackmann, Chas. Scribner's Sons, has been elected Pres. of the Soroptimists Club. Miss Schackmann is a Director of the Chicago A. C. M. and past Chairman, National Credit Women's Executive Committee.

**Milwaukee**—W. W. Pope, formerly Asst. Vice Pres., Hibernia National Bank, has been elected Vice Pres. of his institution.

**Chicago**—A. P. O'Connell, 2nd Vice Pres., Continental Illinois National Bank & Trust Co., has been elected Vice Pres. of his bank.

**Cleveland**—Bruce R. Tritton, Past Pres., Cleveland A. C. M., and Director, N. A. C. M., has been elected Vice Pres. of the American Stove Co.

**Pittsburgh**—D. V. Johnson, for some time Credit Manager of the Universal Atlas Cement Co., has been appointed Asst. Treasurer of his company.

**Cleveland**—L. D. McDonald, Credit Manager, Warner & Swasey Co., and a present officer of the Cleveland A. C. M. has been elected Vice Pres. of his firm.

## Credit career

### Charles A. Wells

**St. Joseph**—From a teacher in a sod schoolhouse on the plains of western Nebraska to the secretaryship of one of the oldest jobbing houses on the Missouri River, Charles A. Wells has made his way in professional, political and business activities. Mr. Wells has been active in the dry goods business in St. Joseph nearly a quarter of a century and much of his business experience has been in the credit department of the John S. Brittain Dry Goods Company, of which he has been Secretary-Treasurer for a number of years.

"I became a teacher by accident," said Mr. Wells with a reminiscent smile recently in the course of an interview which was printed in the St. Joseph News-Press.

"I was born and reared in Atchison County, Mo., and when out of school an uncle who lived in western Nebraska urged me to pay him a visit. He said he would get me a job. So I went out to the plains. My uncle was the school director and had the job of teacher at his disposal, which he offered to me. I accepted and for several months taught in a sod schoolhouse. It was typical of the pioneer schools of the West at that time."

Mr. Wells did not dislike his job as a school master. He returned to Atchison County and became a teacher in the schools of Phelps City. Later he was Superintendent of Schools at Westboro.

Not unlike many other rural school teachers, Mr. Wells turned to public affairs. He decided to make the race for County Clerk of Atchison County. He became a candidate on the Democratic ticket, won and was re-elected, spending eight years in the office. He is one of the youngest ever to be elected to office in that county.

With his teaching and business experience as a background, Mr. Wells decided to enter business. He came to St. Joseph, and on New Year's day, 1911, he became Secretary-Treasurer of the Payne Hat Company, a wholesale house, which was sold to a Kansas City house two years later. It was then that he became associated with the John S. Brittain Dry Goods Co. in the credit department, and he has been in the office of that company ever since, with the exception of several months spent on the Pacific Coast a few years ago.

The Brittain house is believed to be the oldest dry goods jobbing house of continuous existence on the Missouri River. The Tootle interests here have been in the same line longer, but the business has not been continuous as with the Brittain Company, which began in 1873 and has had an unbroken organization since.

(Cont. on p. 36)



## OUR DISTAFF SIDE

### New York's 15th Year

The Women's Group of the New York Credit Men's Association was first organized in 1924. In the fall of that year the question was: "Shall credit women be invited to participate in association activities?" Up to that time there had been but a few women members in the New York Association.

Mr. William H. Pouch was then president of the New York Association. He had a deep appreciation of the capabilities of women in this field and strongly recommended to the board of directors that the women be invited to participate and join in all association activities.

Accordingly, Mr. Pouch called for a meeting of credit women whose firms were then members of the Association, with the thought of organizing in New York City a Credit Women's Group. Mr. Pouch felt that if a survey were taken of women engaged in credit work in the metropolitan area that it would disclose the surprising fact that there were many hundreds of women; heads of their departments who would make valuable workers for the Association.

These meetings were successful from their very inception. The women attended enthusiastically, and by 1926 there were 50 credit women in this area who were actively attending.

The New York Women's Group has always been most fortunate in its choice of chairmen, having women who had fine executive ability, and each in her turn has carried on the work so beautifully conducted by her predecessor, and has brought new incentives and new ideas to the Group. Today this New York Credit Women's Group has grown to a position far exceeding the fondest hopes of its organizers, with a membership of approximately 250.

Dinner meetings are conducted monthly throughout the season, ably assisted by prominent speakers who discuss diversified commercial subjects. Each season there are at least two social functions, at which affairs the entire Association officers are invited to attend.

Within the New York Credit Women's Group there have been appointed sub-committees as follows: Trade Group Committee, with its chairman and vice-chairman; Speakers' Committee, with its chairman and vice-chairman; Entertainment Committee, with its chairman and vice-chairman; Membership Committee, with its chairman and vice-chairman. Wide publicity is given to their activities in the columns of the "Credit Executive," the New York Credit Men's Association monthly publication.

The New York Group operates under a Charter with rules and regulations very definitely laid down for membership—there being two classes of Members "A" & "B". Class A Membership consists of women whose firms are members of the Association. Class B members are women

who are eligible to become members of the Group, even though their firms are not members of the Association.

The Group has established a very constructive Educational Program. A concrete plan was formulated about two years ago to grant scholarships to young women, assistants in credit departments, who had demonstrated by their ability, that they were eligible to enter such contests. In recognition of the work which had been done by Mrs. Wm. H. Pouch, for credit women throughout the United States, we have established as a tradition for the Group, the "Helen Pouch Scholarship," and the tuition fees for the education in Credit and Collection Work are paid by the Group.

The New York credit women pay annual fees into the treasury and extra monies are raised through social functions, raffles, etc. This money is used for educational purposes and also to send delegates to the National Credit Congress.

The accomplishments which have been made by the Group are manifest in the type of its membership. The women are association-minded; they are actively interested in the contacts which are afforded them through their association affiliations.

It was always intended that these Groups throughout the United States should supplement and round out the educational work which our National Association does for all its members through these groups for the credit women executives. In this respect, the results thus far have been eminently satisfactory.

### Chicago:

For the purpose of developing a certain standardization in Credit Women Club activities, Miss Mary Jane Heady, Secretary, National Credit Women's Committee, has sent to the attention of all clubs an outline of the aims and purposes of the four standing committees of the Chicago Group. They are:

The Meetings and Entertainment Committee designs meetings for the education of women in credit work so that they may be capable of handling their departments to the best advantage of their companies. It is not possible to study and discuss departmental routines in detail because of the diversified lines of business represented and the consequent varying problems. It is possible to study legislation, finance, insurance, and kindred subjects affecting all credit transactions and forming the bases of all credit departments.

The Membership Committee selects and invites the membership of women in credit work who are capable of helping us reach our objective or whom our Club can help in improving the departments they control.

The Publicity Committee "To promote the interests and activities of the organization in the publications of the Chicago A.C.M. and in the public press." It is the publication of activities that attracts the interest of the public and makes it worth while for those educated in particular lines of learning to share their knowledge with us.

The Reception Committee realizes that sociability and friendliness promote conversation, which serves a two-fold purpose.

It is educational—an exchange of ideas—and it fosters that unwritten part of our purpose—genuine friendships. The Committee's purpose, then, is to greet, welcome and plan seating arrangements that will be conducive to conversation.

If the aims and purposes of every committee could be written as concisely as the foregoing and the duties of all committees standardized, it would be a big step toward the coordination of the credit women's activities, Miss Heady points out.

## Obituary

### Floyd D. Shook

Cleveland.—Floyd D. Shook, who in recent years was in the insurance business, passed on, April 24. He served the Association as President during the year 1910-1911.

### Geo. L. Brown

Johnstown, Pa.—Geo. L. Brown, Pres., Cambria Equipment Co., and Director, Credit Assn. of Western Pa. since 1934, died suddenly on May 6 at his home in Johnstown. His wife and five children survive.

### Ed. McGinnis Skinner

Chicago.—Ed. McGinnis Skinner, a pioneer of modern credit management and Pres., Chicago A. C. M. in 1901, later Vice Pres. and Gen'l Mgr., Wilson Bros. Co., died at his home in Evanston, Ill. on May 2, at the age of 74.

### Edwin Fox

Dallas.—Edwin Fox, Credit Manager, Butler Bros., passed away May 24 in St. Paul's Hospital, following a comparatively short illness.

### Geo. C. W. Klippel

Cleveland.—Geo. C. W. Klippel, Manager, Patent Division, Republic Steel Corp., died suddenly on April 17. He served the local Association as President during the year 1922-1923.

### Credit Career (Continued from p. 35)

Mr. Wells is the head of the credit department and is widely known in his line as a credit executive. He is a past President of the St. Joseph A.C.M., one of the oldest and most active business organizations of St. Joseph. He has attended a number of the national meetings and is regarded as a leader in his line. Past National Director of the N.A.C.M., he is its newly-elected President.

For years Mr. Wells has been active in civic affairs. He is at present a Director of the Chamber of Commerce and connected with other civic organizations. He is a member of the First Christian Church and is now Chairman of the Official Board of the church. Mrs. Wells is also active in the affairs of the church.

# 44th Credit Congress Is Traditional Success

**T**he 44th annual Credit Congress of the National Association of Credit Men held at Grand Rapids starting on June 11th and closing on June 15th with a banquet attended by some 1,200 delegates and their friends, was an eminent success from the standpoint of number of delegates registered, caliber of the convention programs and the importance of the discussions at the Industry group sessions on Tuesday and Wednesday afternoons. From year to year, N. A. C. M. conventions traditionally are scored as successes, but those who review the history of our Association in future years may well refer to the Grand Rapids convention as an outstanding Credit Congress and as a fitting windup to the important Association year under the presidency of Dan I. Bosschart of San Francisco.

It has been a tradition of N. A. C. M. conventions to have a day of play sandwiched between four days of intensive business sessions. Newspaper men who usually look with a jaundiced eye upon most conventions as excuses for "whoopie" sessions, generally perk up their ears when they attend N. A. C. M. conventions. A Grand Rapids newspaper editor who remarked at the close of the banquet session which ended our Credit Congress: "Your people seem to take this convention matter seriously", merely echoed the oft repeated observation that credit men go to their convention to work and to learn. So it was not surprising that this year's convention reversed the usual order and had its entertainment day on Sunday and followed with four days of crowded convention sessions.

The host city, Grand Rapids, won universal acclaim for the hearty reception and entertainment provided for the visitors. From City Manager George W. Welsh and George J. Erhart, president of the Grand Rapids Association and Russel W. Forwood, a past president of the local Association and who served as general chairman of

the convention committees, down to the last person enrolled on the several committees, our hosts were most gracious. Mrs. Mayo Zeigler, and her tireless hostess committee won the hearts of the visiting ladies with a delightful program of entertainments.

With the usual program of greetings from Michigan's governor on Monday morning the convention got into full swing in the Monday afternoon session with the keynote address of Executive Manager Heimann (published in full



At the Bankers Group luncheon

as the leading feature of this issue of the magazine) Mr. Heimann's addresses have come to be looked upon as highlights of our National sessions. Judging from the words of praise heard on every hand, his talk this year on "Contingent Liabilities" scored another big hit. The Monday afternoon session also heard greetings from the National Retail Credit Men's Association by Giles C. Driver of Cleveland, a past president of the retail credit organization. Brigadier General Charles T. Harris, Assistant to Chief of Ordnance, U. S. War Department who is in charge of industrial activities of the ordnance branch, explained what the War Department is doing at the present time to develop sources of supply for ordnance in the event that the United States might enter a war.

William H. Pouch, past National president and chairman of the Tregoe Memorial Essay committee, presented a glowing report on the advancement of educational activities under the National Institute of Credit and announced the winners in this year's Tregoe essay contest. The essays of the winners in class A and class B are presented in this issue of the magazine.

The annual President's Ball and Reception, which was held this year in the large auditorium of the Grand Rapids Civic building was a brilliant social and entertainment success. The main floor of the civic auditorium which has a seating capacity of some 3,000 persons exclusive of the balconies, provided ample room for the more than 800 couples who enjoyed the dancing and entertainment until after the midnight hour. Several views of the grand march led by President and Mrs. Bosschart and of other forms of entertainment are shown in the pictures in this section of the magazine.

Vice-president Horace V. X. Wright of Tacoma,

Delegates view Fraud Department Display



Washington, acted as chairman of the Tuesday morning session, when President Bosschart presented his annual report (which is printed in full elsewhere in this issue). Addresses by Hon. Samuel Pettengill, former Congressman from Indiana on "The Liquidation of Thrift" and by Dr. Wilford W. White, Chief Marketing Research Division, U. S. Department of Commerce on "What Today's Bad Debt Loss Situation Means to the Business Man", were features of the Tuesday morning session. A lively discussion of Credit Interchange led by Executive Manager Heimann, Ray Shannon, chairman of the National Credit Methods and Practices committee and Roy Colliton, manager Central Credit Interchange Bureaus, St. Louis, proved so interesting that adjournment was delayed several minutes after the scheduled hour.

Tuesday afternoon brought the start of the Industry Group sessions under the very able direction of Roy Colliton, Central Credit Interchange Bureaus and his assistant S. J. Haider. While the number of group sessions was not so large this year as on former occasions, the general interest and attendance at the sessions held, made them outstanding. The programs started on Tuesday afternoon were continued on Wednesday afternoon and some even lasted over to evening sessions Wednesday evening. It would be impossible to report in this issue full details of the Industry Group sessions. Several groups have made plans to send minutes of their meetings to others not able to be present.

The address by Dr. Paul F. Cadman, president of the American Research Foundation was the highlight of the Wednesday morning session. His subject "They Have Brought Us Socialism" and the manner in which it was covered appealed strongly to the convention audience. Vice-president Osborn W. Bullen, Cambridge, Mass., who presided at this session called upon Past-president Paul Fielden to make the report on membership activities during the past year and to award the prizes to the Associations winning first place in the several classes. P. W. R. Glover, C. P. A. of New York and chairman of a special committee on Accounting Procedure of the American Institute of Accountants, gave an interesting talk on the "Current Trends in Auditing Procedure."

President Bosschart again assumed the gavel at the Thursday sessions. Paul H. King, Referee in Bankruptcy, and chairman of the Bankruptcy Conference, gave an instructive address on some of the highlights of the first year of the Chandler Act, which completely revised our National bankruptcy law. The text of Mr. King's address will be found elsewhere in this issue.

A playlet entitled "Mr. Jones Checks Up" which had been prepared by the legislative department of the Association gave the large Thursday morning audience a half hour of excellent entertainment and presented in a telling manner the important work being done by the National and State legislative committees of our Association.

Lawrence E. Falls, president of the Insurance Institute of America and Vice-president of the American Insurance Company of Newark, N. J., was the last speaker at the Thursday morning session. The text of his address in which he suggested a new source of credit information, is printed elsewhere in this issue.

Thursday afternoon was given over to the annual report of the Executive Manager and the election of National officers for the ensuing year. Mr. Heimann took

the opportunity to discuss Association plans for those years ahead when the Development Fund Program will have been completed and a new program will be required. The report of the nominations committee as the last formal order of business of the Convention was unanimously adopted and brought about the election of Charles A. Wells of St. Joseph, Mo., as our new president with John L. Redmond, New York, Fred J. Hamerin, Indianapolis and R. C. Wilson, Salt Lake City as vice-presidents. A more complete report of the elections and something about the new officers is to be found elsewhere in this issue.

The banquet was the occasion for the induction of the new officers and the introduction of the new National directors. Vice-president elect Hamerin of Indianapolis was the only member of the new staff of aides to the president in attendance at the convention.

The address by J. Frederick Essary, dean of the correspondents in the national capital and chief of the Washington Bureau of the *Baltimore Sun* featured the after dinner session. Mr. Essary graciously answered questions handed up from the audience and gave an interesting glimpse of how he views political trends in Washington.

## One Hundred Attend Foreign Trade Luncheon

**EN** The Foreign Department and the Foreign Credit Interchange Bureau sponsored the Foreign Trade luncheon at the 44th Credit Congress on Tuesday, June 13th. The Foreign Commerce Department of the Grand Rapids Association of Commerce participated in this meeting and about one hundred attended.

Mr. A. N. Gentes, assistant manager of the foreign department of the Guaranty Trust Company of New York and a member of the supervisory committee of the Foreign Credit Interchange Bureau delivered an address entitled, "The Function of a Bank in Foreign Trade." Mr. Gentes discussed the financing of export sales and particularly analyzed the function of a bank when export sales are made against bankers' credits. He also discussed export sales on a dollar draft basis, on a foreign currency draft basis, on open account, on consignment and against authority to purchase.

Following Mr. Gentes address the meeting became a round table discussion of current foreign credit, collection and exchange problems under the direction of Mr. P. M. Haight, chairman of the foreign credit executive committee of the National Association of Credit Men. An agenda of questions had been prepared and there was some interesting discussion among those present about conditions in such markets as Colombia, Mexico, Argentina, Brazil and Spain.

Kenneth H. Campbell, director of the Foreign Department and manager of the Foreign Credit Interchange Bureau pointed out to those present that similar meetings such as the one conducted in Grand Rapids are held eight or ten times a year, generally in New York City and that minutes are taken on these sessions and are available to those members of the Association who are interested in foreign credit, collection and exchange problems.

# Charles A. Wells New President

## St. Joseph, Mo., Dry Goods Wholesaler Will Lead N.A.C.M. in 1939-40 Year

**C** Charles A. Wells, president and treasurer of the John S. Brittain Dry Goods Company of St. Joseph, Mo., and a veteran booster of credit association activities in Northern Missouri, was unanimously elected president of the National Association of Credit Men at the Thursday afternoon session of the Credit Congress held at Grand Rapids. John L. Redmond, vice-president of Crompton-Richmond Company, New York City, was elected National vice-president representing the Eastern District; Fred J. Hamerin, Lilly Varnish Company, Indianapolis, Ind., was named vice-president representing the Central District, and R. C. Wilson, First National Bank, Salt Lake City, Utah, was named vice-president representing the Western District.

President-elect Wells is well known in N. A. C. M. circles. He has attended a number of conventions and has served on several important National committees. At the San Francisco convention in 1938 he was elected a National director. This election was a recognition of the faithful service he had rendered as well as the loyalty of his home Association, which was represented at that now famous meeting in Toledo in 1896 when the National Association of Credit Men was formally organized.

Mr. Wells came up through the ranks of his company, the John S. Brittain Dry Goods Company, where he has served for 26 years. For several years past he held the

position of secretary and treasurer and last February was named to the office of president and treasurer. On page 35 of this issue will be found more information about Mr. Wells under the caption "Credit Career".

Vice-president-elect Redmond has been one of the "wheel-horses" on the New York Credit Men's Association for a number of years, where he has served in various chairs and has just completed two terms as president of the New York Association. Mr. Redmond was unable to attend the Grand Rapids Credit Congress as he was in attendance at the convocation of St. Joseph's university where he received the honorary degree of Bachelor of Commercial Science in recognition of his important contributions to the credit profession.

The new National vice-president from the Central District, Fred J. Hamerin, has been active in Association affairs for several years. He served as chairman of the National Credit Methods and Practices committee and has been a leader in the credit circles of the Paint and Oil trade.

R. C. Wilson, the new National vice-president representing the Western District, served the Inter-Mountain Association of Credit Men, Salt Lake City, for several years as director and in 1936 was elected a National director for a two-year term. He has taken an active part in all credit activities in the Inter-Mountain area.



Retiring President Bosschart greets President-elect Charles Wells as Vice-president-elect Fred J. Hamerin, Indianapolis and Executive Manager Heimann echo the congratulations


Directors were elected for three-year terms as follows: E. L. Blaine, of Peoples National Bank, Detroit, Mich.; Ralph L. Griffith, of International Heater Co., Utica, N. Y.; Harry Howland, of Fargo Bakery Co., N. D.

Two-year term directors are: Paul M. Miller, of Atlantic Steel Co., Atlanta, Ga.; Paul Pflueger, of Max Koshland & Co., San Francisco, Cal.; Charles B. Raiden, of Owens-Illinois Glass Co., Toledo, O.; R. M. Rice, of Manning, Bowman Co., Meriden, Conn.; Errett Van Cleave, of Charles Ilfeld, Albuquerque, N. M.; William E. Woollenweber, of Wheeling Steel Corp., Wheeling, W. Va.

Those of the newly elected National directors who were present at the Credit Congress and the hold over directors met with President-elect Wells and the retiring National officers for a short session on Thursday afternoon for a discussion of plans to the annual meeting of the National directors. The date for this meeting will be announced later.

## Credit Clinic at 1940 Congress

### Publications Committee Sponsors Innovation

 Osborn W. Bullen, retiring vice president of the Eastern District, and chairman of the National Publications Committee announced at the Tuesday morning session of the Grand Rapids convention, a plan for a Credit Clinic which will be promoted during the next 12 months and will culminate in what is expected to be an important drawing card for the 1940 Credit Congress. The following statement presented to the convention by Mr. Bullen outlines this new plan:

Two years ago the Chicago Association conducted a Credit Clinic. This project was so successful and attracted so much attention that the National Publications Committee decided to attempt something similar for the 1940 Credit Congress.

The Credit Clinic that we have planned will be a display of the forms and systems used by some of the leading credit departments. The forms will be mounted so that by following them in the proper sequence and by studying the comments printed on the display you can follow the credit and collection routine employed in a large number of well-known companies.

You can readily see the tremendous value to an exhibit of the complete credit systems used by 25 or 30 companies in various lines of business.

Many profitable hours can be spent by the delegates to the 1940 Credit Congress in comparing their forms and ideas with those used by other organizations. It is intended that the representatives who prepare the exhibits will be on hand during some part of each day to answer questions.

After the Credit Congress the display will be moved to our National Headquarters in New York, where it will be available for the use of all interested members and for

student groups visiting our National office.

This announcement is made at this early date as the National Publications Committee wants the cooperation of every trade group meeting today and tomorrow. At the Wednesday session the chairman of each group will be asked to appoint one or more members of that industry to prepare exhibits for the 1940 Credit Clinic.

This project can be of great value but real effort will be required if the maximum value is to be obtained.

Will you assist the Committee by:


1. Seeing that your Industry is represented in this work.
2. See that those assigned to prepare your exhibit, complete the work well in advance of the next Credit Congress and,
3. Urge all credit men to attend the 1940 meeting, where they can study and discuss this greatest display of credit forms and systems that has ever been assembled.

Here, we believe, is the basis for a post-graduate course in credit office practice. It is the intention of the Publications Committee to expand the exhibit and keep it up-to-date by yearly revisions.

This will be another outstanding service for the Credit fraternity. Its success depends only on your interest and support.

The plan was submitted to most of the Industry Group sessions on Wednesday afternoon where it was given hearty endorsement and where representatives were appointed to work with the National Publications Committee in promoting the Credit Clinic plan.

## Institute Teachers Hold Congress Sessions

 An informal luncheon was arranged for chairmen of local Association educational committees and teachers in local Chapters who were attending the Grand Rapids congress. This luncheon meeting, which was held Wednesday, June 14th, gave the instructors and chairmen of educational committees an excellent opportunity to exchange ideas and to learn what methods had been found most successful in promoting their programs.

An informal committee of three instructors was selected to make a study of standardization of course content and examinations. Appointed to the committee were: Wendell Smith, Grand Rapids, Mich., and L. T. Hadley, Chicago, Illinois.

The meeting was so successful that the Educational Director was requested to schedule a similar meeting for next year's convention.

The following attended the meeting: J. G. Holland, Birmingham, Alabama; J. H. Early, San Francisco, California; Wendell Smith, Grand Rapids, Michigan; F. G. Phillips, Des Moines, Iowa; J. L. Shonberger, Cincinnati, Ohio; J. M. Buckelew, Meadville, Pennsylvania; E. E. Schoen, St. Paul, Minnesota; H. T. Fulton, Toledo, Ohio; Walter Miller, St. Paul, Minnesota; Joseph Rubanow, New York, N. Y.; Paul F. Cadman, San Francisco, California; E. D. Ross, Portland, Oregon; Herbert Haidt, Rochester, New York; F. C. Young, Pittsburgh, Pennsylvania; C. H. Hendrickson, Jr., New York, N. Y.



(1) President and Mrs. Bosschart and other officers present and past lead the grand march at the President's Ball and Reception. (2) The dancers at the President's Ball take a rest and watch some entertainment



Three views at the annual dinner of the N. A. C. M. credit women held at the Rowe Hotel on Tuesday evening

# Offers New Source of Credit Information

(Cont'd from p. 30) practical credit man said, "Now that we have this insurance statement form filed by the credit applicant, what can we do with it; what does it tell us?" More anxious to make the protection of insurance available, where needed, than to justify the plan so far worked out, insurance began again to research the workings of credit operations, and found that the insurance statement was, in effect, a doctor's report on a patient of whose condition no diagnosis had been made. We had a good dependable list of the preventive and curative medicines in the customer's bathroom cabinet, but we had no expert, informed report on which of them this particular patient needed.

Maybe the insurance statement showed \$90,000 insurance on a building, but the building had an insurable value of \$200,000.00; the policies were written with a covenant that 90 per cent insurance to value would be maintained, and the customer's financial net worth could ill afford to contribute 50 per cent of any substantial fire or windstorm loss in this principal asset. Maybe the insurance statement showed liability insurance with adequate limits, covering six owned and operated automobiles, but nothing in this statement showed the credit man that the applicant had two uninsured cars, operated by salesmen in a distant territory. A heavy verdict for personal injury 2000 miles away would hurt the customer's credit just as much as one at home.

These are only two examples of the shortcomings of this insurance statement if used alone, but these and others showed what facility of insurance organization had not been employed to accomplish the needed analysis of the credit applicant's insurance, as to its adequacy. No credit man wants the customer of his house to carry too much insurance—its cost impairs his ability to meet his real needs and his obligations. No insurance man wants an assured to carry insurance except upon his needs. The purchase of unnecessary coverage ultimately injures the insurance business and its markets.

In the United States, we have a problem of insurance distribution unlike any other country in the world, and we also have an insurance distribution organization unlike that in any other country. In our business we call it the American Agency System. In every city, town, village and hamlet there resides at least one insurance agent who holds a power of agency to bind the one or more insurance companies, for which he is agent, to insure the risks and perils that company is chartered to insure. This power and this service are for the immediate reliance of the property owner, and the business and personal activities of his fellow community members. This agent, by his activity, knows the advantages and the inherent and created hazards of life and business in his community. He is a mine of information about the prosperity and the credit standing and habits of pay of many of his fellow townsmen. He is the logical man to make our survey to show first what a credit applicant owns and does, which we know should be adequately insured to maintain the customer's credit, and to avoid an uninsured loss which would impair that credit.

Every credit applicant is served by some insurance agent competent to diagnose the insurable hazards by which the applicant and his business are beset. When the applicant divides his purchase of insurance between two or several agents, he usually has one agent to whom he turns with unusual insurance problems. And so we have prepared an examination report; a clinical diagnosis blank; an insurance needs survey for this insurance counsellor to make out and return to the interested credit man.

Through our close contact with the New Jersey Association of Credit Men, and its active Insurance Committee which serves as a practical laboratory for insurance matters bearing on credit, we discovered the short-comings in the usage of our insurance statement form, some of which are above outlined. You, who are credit men, were being asked, in effect, to become insurance men gifted with a sixth sense for detection of inadequate insurance coverage, when you, yourselves, were inadequately supplied with the proper information upon which to form an opinion. When we had evolved a new plan to put upon insurance and its organization the burden of supplying you with sufficient information, the members of the New Jersey Association of Credit Men, to whom the plan was described, were enthusiastic about its value to them, and at a meeting of the Trustees of that Association, on Tuesday, May 23, they unanimously endorsed it and urged that it be given the widest possible distribution, that it might be put in use country-wide without delay. The detail of using this new analysis form is easiest told by steps, *seriatim*.

You, the credit man, send to your prospective debtor a request for references and you add one to the usual number. You ask the customer, "What is the name of your insurance agent? If you have more than one, which is serving you most?" When you check up upon the references furnished, you send the following form letter to the insurance agent selected by the credit applicant.

(This letter to be reproduced by the Credit Manager on the letterhead of his own Company. It can be printed, if desired, or reproduced by process, by leaving room for filling in the name of the Insurance Agent and the name of the applicant for credit.)

Mr. John J. Jones, )

23 Main Street, ) name and address of Insurance Agent  
Middletown, Ohio ) as furnished by credit applicant.

Re—Mr. Tom Brown (name of credit applicant)

Our mutual friend has applied to us for credit. He has advised us that you are his preferred Insurance Agent, and you can expedite the granting of this credit he desires by surveying his Insurance requirements and how they are protected.

Please fill out the enclosed "Fact Finder," which will be a means of determining just what Insurance he needs, and then complete the "Insurance Statement." Point out to him for his own good any serious omissions of needed protection.

Fill out both forms in duplicate; keep one of each for yourself and send the others to us. We thank you for your cooperation with us in trying to be mutually helpful to our esteemed friend.

Yours very truly,

CREDIT MANAGER.

This "Fact Finder" will, by its design and arrangement tell you what are  
(Cont'd on p. 45)



(1 and 3) Views at tea given for visiting ladies. (2) Mrs. Milo Zeigler (left seated) and portion of her tireless Hostess Committee.

(Cont'd from p. 43) the customer's insurance needs, and on the back of the analysis form the insurance agent is asked to sign a certificate that he has examined the insurance carried by the credit applicant whose insurance needs are shown by the survey, and that the insurance in force is adequate except as noted by him. Then follows a space in which to note the insurance needed and not carried. You have a statement of the insurance carried, filled in upon the insurance statement form. You have a detailed report by a trained insurance agent, showing the insurable perils in the prospective debtor's business, and you have a certificate, signed by the customer's insurance counsellor, expressing his opinion of the adequacy or otherwise of the customer's insurance protection. The insurable perils to which a given business and its owners in Missouri are subject, cannot be measured from New York or Pittsburgh by any insurance examiner, nor by any credit manager, however astute and experienced. It can be measured with practical certainty by a trained analyst on the ground, and this plan for obtaining such an analysis offers you the prompt services of such an analyst, who is further motivated to act carefully and without delay because your request of him involves his customer, who has paid for the right to receive this service at his hands. Thus you get many of the essentials to a credit report upon your applicant and without cost to you.

If this plan is accepted by your Association, one hundred fifty thousand insurance agencies throughout the country will be apprised of this plan by insurance organizations and through our trade papers. They will be ready to serve you and their clients, who are your prospective debtors, according to this arranged program.

Confidence is the present objective of nearly every effort to restore our lagging national enterprise, and this plan, announced today, is calculated to increase the confidence with which you, the managers of the country's credit, can finance our return to jobs for everyone, and prosperity for all. The insurance business brings to you, by this plan, the services of 150,000 credit investigators.

A copy of the "Fact Finder Form" described by Mr. Falls will be mailed upon request to Credit and Financial Management.



The beautiful formations in Carlsbad Caverns grow with the ages.

50,000,000  
YEARS YOUNG

SIX YEARS OLD



In theory, any business could last indefinitely, growing and thriving through the ages. Actually, the average life-span of business (manufacturing, wholesale, retail, and construction) is only six years—a fact established by a national credit reporting institution after six months' research covering 2,000,000 firms in the above classifications.

Can too many credit precautions be taken when 17.6% of all commercial and industrial firms each year quit business, sell to successors, or die insolvent, with creditor firms as chief mourners?

### American Credit Insurance

insures the "business life" of every customer on your books between date of shipment of goods and date of payment, paying "benefits" promptly when debtors default.

The vigilant Credit Executive employs "American" Insurance to complete the chain of protection based on appraisals, ratings, statements, Interchange Reports, and his own innately sound judgment. Modern policies include full protection on "Chandler Act" reorganizations. Get information.

### American Credit Indemnity Co.

OF NEW YORK

J. F. McFADDEN, President

Chamber of Commerce Bldg.

St. Louis, Mo.

Offices in all principal cities of United States and Canada

### GET THIS FREE BOOK . . . . .

### "The Best Collection Letter I Ever Used"

Facsimiles of thirty vital, resultful letters contributed by Manufacturers and Jobbers. Cash in on their experience. Ask for free book: "The Best Collection Letter I Ever Used."

Copyright 1930, American Credit Indemnity Co. of N.Y. X17

When writing to advertisers please mention Credit & Financial Management



(1) President's luncheon for officers and directors. (2) The annual Zebra Roundup draws many diners

## How to Save Time in Your Office

**IN** Executives confronted with the problem of handling an increased volume of office work, or concerned about saving time and money by handling the present volume more efficiently, will be interested in a practical booklet entitled "Ways to Save Time in an Office," which has just been issued.

This 20-page brochure compiled by the Burroughs Adding Machine Company is timely for executives in all lines because it deals with the elimination of needless motions. In a simple, clear-cut manner, it presents valuable suggestions intended to guide executives in locating the costly operations that handicap office employees.

Typical subjects covered include: "bottlenecks" in office routines, month-end "peak" loads, rehandling of figures, non-productive operations, duplication of records, and similar costly factors.

Persons desiring a copy of "Ways to Save Time in an Office" may obtain

one, without cost or obligation, simply by addressing a request to Burroughs Adding Machine Company, 6071 Second Blvd., Department S., Detroit, Michigan.

### Half-told truth!

"I am on the level now, but some years ago I pulled off a number of commercial fraud rackets and then quit."

So wrote a certain individual to a prospective creditor, but that story

was half-told for he failed to make mention of the fact his real reason for terminating his fraudulent schemes was not of his own volition. As a matter of fact this person's commercial career was brought to a halt as a result of an investigation made by the Fraud Prevention Department, which investigation ended only after he was sentenced to a lengthy term of imprisonment.

It indeed would be interesting if this man related in detail as to his "business" after quitting!

## AUDITORS! OFFICE MANAGERS!

YOU SAVE  
**50%**

Of Your  
Loose Leaf  
Binder  
Expense  
With

## JOYCE DOUBLE-DUTY FLEXIBLE SPRING POST SELF BINDERS

Serves for current use . . . then does double duty as a storage binder! Learn about the exclusive Joyce binder patent features which offer you this unusual saving, convenience, extra service, and is **MADE TO FIT ANY SIZE SHEET OR FORM.**

### PROVEN ECONOMY!

QUARTER MILLION IN ACTUAL USE!

**SPECIAL OFFER:** Just send us your sample sheet and get a JOYCE binder for your trial use. Or write for illustrated folder "Cutting Binder Costs 50 Percent."

Dept. N

The Edward J. Joyce Filing Co.  
ESTABLISHED 1904  
10 W. WASHINGTON STREET CHICAGO



### When It Falls . . .

When this gavel falls, a jury may award damages amounting to many times the defendant's assets. Without *insurance* in adequate amounts *he may be ruined.*

To avert losses due to such causes, alert credit executives make certain that adequate coverage is carried by a customer *before* granting substantial credit. Your Standard agent will be glad to assist you in studying a buyer's entire insurance set-up for possible weaknesses and to recommend proper protection.

Standard of Detroit, with 55 years of experience, provides sound coverage against the results of automobile accidents; injuries to individuals, employees, and public; robbery; embezzlement; and similar hazards.

## STANDARD ACCIDENT INSURANCE COMPANY

**Standard Service Satisfies . . . Since 1884**

*When writing to advertisers please mention Credit & Financial Management*

## Grand Rapids News Notes

### Nine Insurance Experts Address Credit Executives at Annual Convention

—which is certainly an indication of the importance your Association places upon the need for complete and adequate insurance protection in order that a proper credit structure be maintained. The Northern Assurance Company, Ltd., has agents in every important business center of the United States. They are competent to assist you in obtaining additional insurance facts regarding the adequacy of your customers' insurance protection.

These agents are also qualified to advise you concerning your own company's insurance requirements.

Northern Assurance agents represent a company which has conducted a world-wide insurance business for the past 103 years. It celebrates this year its 85th year in the United States.

There is a Northern Assurance agent in your city. We will supply his name and address upon request.

## NORTHERN ASSURANCE CO., LTD.

135 William St., New York

Chicago

San Francisco



FIRE  
INSURANCE  
AND  
ALLIED  
LINES

Ask anywhere in the World what reputation the Northern of London bears.

## First year of Chandler Act

(Cont'd from p. 29) that the law of competition will preclude our doing so, but it is worthy of our best thought. We are rehabilitating businesses as units of commerce, as community agencies. We are putting men back onto the highway of life with a fresh start, and a new hope with new courage. Yes, it is more than forms and files, than bar-risters and briefs, than courts and customs. It is *life*, and *action* and *progress*. We are the trustees not only of the present but of the future, and especially so are the members of this splendid organization. You primarily create through the extension of credit a substantial part of the debts which must eventually be discharged in bankruptcy. You therefore very properly have a high degree of control, "creditor control", of administration. Through your organization you help to write the laws of the country with reference to credit and debt, and insolvency and bankruptcy. You individually help the courts to administer these laws. It is evident that the elements of trusteeship are very great; the Courts and the legal profession and the bankers and other business men share it with you. It all involves a tremendous responsibility which includes not only dollars and cents, merchandise, machinery and fixtures, houses and lands, and business enterprises, but it involves people, men and women, all struggling for a place in the sun; it includes all forms of trade, commerce and industry; in short, it means the life and happiness and prosperity of our country.

If we succeed in doing that, we shall have done our full duty to ourselves and to those who come after us. Let us all strive for the very best in the development of our debtor and creditor relationships, the laws that regulate them and their effective administration.

### YOUNG WEBSTER

School Teacher: "Johnny, can you tell me the difference between perseverance and obstinacy?"

Johnny: "One is a strong will, and the other is a strong won't."

—The Church Militant.

"Character is the one thing that outranks financial capital and is forever good."

## EMINENT

WORLD LEADERS  
have, by their

patronage, established

The Drake as an address

of distinction. Here re-

financed luxury, thoughtful

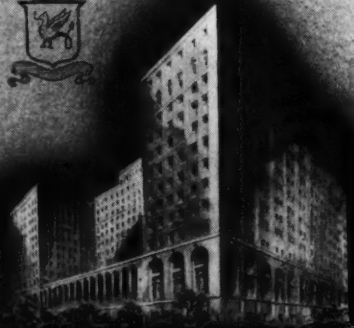
service, and choice

location delight the

most discriminating.

Under the same management as the  
internationally famous Gotham,  
New York City; Blackstone, Chicago;  
and Town House, Los Angeles.

A. S. KIRKEY  
Managing Director



# The Drake

LAKE SHORE DRIVE

CHICAGO

## 1939 Adds to NACM Traditions

(Cont'd from p. 22) hearted support to this association, which is *your* association. No other phase of business administration has behind it an organization comparable to the National Association of Credit Men.

We all agree that a man's greatest hunger is for security... right? How much security would there be to the credit manager's job if he were to start tomorrow without a local and a national association in existence?

It has done much for you and therefore, it should continue to receive your loyal support. Tell this to all credit managers. Get behind your local officers and paid personnel. Do your share in all of its activities—membership, legislative, educational, etc. I would tell all members that it is not fair to expect others to pay what their share might be on life's toll bridge.

It is a self-evident truth that association work pays big dividends in self-development, in self-discipline, in friendships and in job security.

\* \* \* \* \*

My year as your president has been an outstanding and happy adventure in my life. I thank the National Board of Directors, and National Committees, the national and local staffs and the members for their fine understanding help.

### Trusting

*Beggar* (to gentleman): "Can't you give a poor man a penny?"

*Gentleman*: "Haven't any change now. Will be back this way soon."

*Beggar*: "Ah, sir, it's giving credit to men like you that keeps me poor."

## BOOKS

"ADJUSTING YOUR BUSINESS TO THE NEW LEGISLATION." Edited by Leo M. Cherne, LL.B., published by the Tax Research Institute of America, Inc., 292 Madison Avenue, New York City, \$10.00.

This is an 1100 page loose leaf book devoted to the technical interpretation of federal and state laws which regulate trade. A considerable chapter is

devoted to the discussion of what constitutes interstate commerce. This is followed by complete chapters devoted to labor relations, wages and hours, advertising and selling legislation, Robinson-Patman and Anti-Trust Laws and miscellaneous federal legislation and followed by a chapter dealing with state business regulations such as fair trade, loss-leader, anti-discrimination and chain store control acts.

As outlined above, the work is on a very complete basis and should be ex-

cellent help to those charged directly with business operations which come under federal and state regulations. Although written by a board of lawyers, the text is presented in a form which will be attractive to both laymen and attorneys. In most cases the laws themselves are quoted with explanations and observations in the main text.

This new book is a part of the loose leaf service offered by the Tax Research Institute of America, Inc.

# *Facts about* FIREMAN'S FUND INSURANCE COMPANY

WORLDWIDE IN SCOPE


OVER 11,000 HOME-TOWN AGENTS

MORE THAN \$41,000,000 IN ASSETS

\$23,800,000 POLICYHOLDERS' SURPLUS

QUARTER OF A BILLION PAID IN CLAIMS

DEPENDABLE INSURANCE SINCE 1863



STRENGTH

PERMANENCE

STABILITY


*Fire • Automobile • Marine • Casualty • Fidelity • Surety*

## FIREMAN'S FUND GROUP

FIREMAN'S FUND INSURANCE COMPANY

HOME FIRE & MARINE  
Insurance Company

OCCIDENTAL  
Insurance Company



FIREMAN'S FUND  
Indemnity Company

OCCIDENTAL  
Indemnity Company

Home Office  
New York • Chicago • SAN FRANCISCO • Boston • Atlanta

When writing to advertisers please mention *Credit & Financial Management*

## Little Junior What Now?

(Continued from page 11) operation. Overstocking of merchants has been responsible for many of the past due accounts in the past. The average retailer does not keep cost records and, therefore, does not know the amount of merchandise with which he can function most advantageously. Frequently he will buy in large quantities to obtain a better price in the belief that he will realize a greater profit on the merchandise, whereas, if everything were taken into consideration, he would find the goods were actually costing more than if they had been bought in smaller quantities. The efficient credit man, from his experience in dealing with many retailers, should be in a position to render his customer a great service in this respect.

### *Selling Credit Terms?*

Another is the practice of emphasizing credit terms rather than merchandise, or, in other words, selling credit terms instead of merchandise. This practice, the result of a combination of the depression and keen competition, must be corrected if business and industry are to survive under private ownership. It affects not only the business practicing it but business in general and in turn, the welfare of the general public, which becomes the concern of Government. If business and industry cannot correct the situation voluntarily, the Government will have to step into the picture as it has done in other instances. Such a step will give the Government another argument for more strict Government regulation of business. In addition, Government regulation will be found the less satisfactory solution. The answer is greater merchandise value and more service, not credit terms.

In some lines of business, open accounts on long terms and seasonal datings are the prevailing custom. It seems unfair to manufacturers and jobbers to be required to have large amounts of working capital tied up in long term open accounts. With the great number of financing services available through financial institutions today, wholesalers and retailers should be willing to use banking credit to take care of their working capital requirements during seasonal periods or to use trade acceptances which the manufacturer or jobber can discount at his bank. Under such conditions, the ultimate cost of the product to the retailer would be no greater than at present and should be less. In addition, the wholesaler or retailer, assuming it is his intention to pay the account when due, would not be required to make his payment sooner than at present. The cost of carrying the account and the greater degree of risk due to the length of time the account is outstanding are, or should be, taken into account in establishing the price of the goods. Lessening of the degree of risk and the more rapid turnover of working capital should enable the manufacturer to reduce the ultimate cost of the product to the retailer. This would be an advantage to the retailer in enabling him to reduce his price and thereby reach a greater number of prospective consumers.

### *Adjustment Bureaus Valuable*

In the past, credit men have been too anxious to throw debtors into bankruptcy. The success of the Adjust-

ment Bureaus of the local associations of the National Association of Credit Men has done much toward effecting a change of attitude in this respect. Unless there are evidences of fraudulent intent, the credit man should try to help his distressed debtor all he can by extension or compromise. If he can save the business through extension, he has saved an outlet for his product. If he must compromise his debt or liquidate the business, by friendly action he will salvage a greater portion of his account than would be possible under bankruptcy proceedings. The continued use of the Adjustment Bureaus will prove very beneficial in these cases.

### *Distress Merchandise a Peril*

Mention of bankruptcies brings up another phase in which the credit man may be of service to his customers. In the past, merchandise stocks of bankrupts have been bought up by firms specializing in retailing bankrupt goods at prices, in some cases below the cost to the regular retailer, much to his embarrassment and to the detriment of the wholesaler or manufacturer. It would seem that the logical thing that the manufacturer or wholesaler should do, for his own protection as well as that of his customer, would be either to take back the distressed merchandise or force the bidding to a figure commensurate with the price the goods would ordinarily bring in the regular markets. If the credit man can convince the management of the soundness of such a policy, he will save his customers much worry and himself a lot of grief.

Some firms today, in an effort to cut expenses wherever possible, are making drastic reductions in their insurance coverage. The conditions prevailing have made it necessary that the credit man investigate thoroughly to determine whether the applicant for credit has taken the necessary precaution in providing adequate insurance coverage of all kinds. A fire, flood, or tornado loss, or judgment as a result of an accident, unless protected by insurance, can seriously affect the entire set-up of a business, often to the extent of forcing it into receivership or bankruptcy.

### *Collection Problems Ever Present*

Little or no mention has been made of collections or collection procedure for various reasons. On the premise that if you watch your credits closely when granting them collections will follow as a matter of course, emphasis has been placed on analysis. There will always be a certain amount of slow accounts which are unavoidable due to causes inherent in the modern system of credit economy. But, if the credit man has properly analyzed his cases, he will be able to handle the accounts more effectively should they go sour. Then too, there are so many types of collection problems and so many ways in which they may be handled that it is not possible to provide a general solution.

The junior looking ahead might well remember the following points:

- (1) Get all the facts before you make your decision.
- (2) Always use logic. There is a logical reason for everything and a logical conclusion.
- (3) Be consistent. Your customers may compare notes and lose confidence in you.
- (4) Never try to carry your credit files in your head. Put all your information in your files and consult them before making a statement. "Off the cuff"

statements quoted as facts are usually wrong. Loss of confidence results from discovery of the error of your statement.

- (5) Play square. If you cut corners can you blame your customers for doing so?
- (6) When you put down a file, forget it. Then unpleasantness or the result of your decision will not bother or influence you in the consideration of the next cast.

## Mexico Now Has Active Credit Association

**C**The Association of Credit Men of Mexico has just completed its first year of active work. It was founded in March, 1938, in a very small way. On its present membership of over 100, there are a number of subsidiaries of American concerns, such as Colgate-Palmolive-Peet, S. A., Westinghouse Electric International, National Paper & Type Co., General Electric, Parke Davis & Co. of Mexico, Vacuum Oil Co., Bauer & Black of Mexico, Sherwin Williams Co., Goodrich Rubber Co., Burroughs Machine Co., Scott & Browne of Mexico, Hard Chemical Works of Mexico, National City Bank of New York, Coca-Cola, Johnson & Johnson of Mexico, Fritzsche Brothers of Mexico, Nestle & German Line.

The purpose and aims of the Mexican Association are the same as our own organizations; it now has a well equipped office with a complete staff, it is giving very valuable help to its

members in the form of a complete collection service, Interchange of actual ledger experience and other activities. Interested members can address

their mail to Asociación Mexicana de Gerentes de Credito (A. M. G. C.), Apartado Postal No. 1918, Mexico, D. F., Mexico.

## PICK TEN TOUGH LONG-OVERDUE ACCOUNTS

and watch **POSTAL TELEGRAPH** collect 'em!



**U**SE Postal Telegrams to collect those old accounts. They click as often as 95 times out of 100! Because there's an *urgency*, an *immediacy*, a *dramatic quality* about them other collection methods lack.

Just call "Postal Telegraph"—then *watch results!* Swiftly your message gets to the right party, gets read, gets **ACTION!** For information about this *and other ways* of speeding results, call the Postal Telegraph manager in your district.

### Postal Telegraph

Commercial  
Cables



All America  
Cables

Mackay Radio

### Bad Debt Loss Study (Continued from p. 17)

**TABLE 5—Percent of Bad Debt Losses to Credit Sales**

Sales Size Groups	Average Credit Sales Per Account														
	Under \$250			\$250 to \$500			\$500 to \$750			\$750 to \$1,000			\$1,000 and Over		
	No. of Reports	1937	1938	No. of Reports	1937	1938	No. of Reports	1937	1938	No. of Reports	1937	1938	No. of Reports	1937	1938
<b>MANUFACTURERS</b>															
Under \$50,000.....	26	0.59	0.87	15	0.74	0.31	—	—	—	—	—	—	—	—	—
\$50,000 to \$100,000.....	50	0.63	0.73	34	0.79	0.68	19	0.58	0.61	8	1.33	0.72	16	0.35	0.21
\$100,000 to \$200,000.....	59	0.74	0.61	47	0.76	0.60	27	0.47	0.50	23	0.49	0.39	30	0.14	0.34
\$200,000 to \$300,000.....	44	0.75	0.68	31	0.60	0.55	29	0.49	0.42	13	0.34	0.33	49	0.49	0.76
\$300,000 to \$500,000.....	51	0.52	0.64	36	0.37	0.53	34	0.42	0.45	25	0.38	0.61	65	0.34	0.37
\$500,000 to \$1,000,000.....	47	0.48	0.58	54	0.43	0.48	30	0.25	0.38	34	0.38	0.34	140	0.33	0.33
\$1,000,000 to \$5,000,000.....	26	0.33	0.40	46	0.32	0.33	40	0.20	0.32	36	0.23	0.21	262	0.17	0.23
\$5,000,000 and Over.....	—	—	—	7	0.20	0.21	7	0.20	0.23	12	0.12	0.17	104	0.12	0.11
<b>WHOLESALESAERS</b>															
Under \$50,000.....	44	1.29	1.84	14	0.38	0.57	—	—	—	—	—	—	—	—	—
\$50,000 to \$100,000.....	68	0.84	0.87	46	0.59	0.71	—	—	—	—	—	—	—	—	—
\$100,000 to \$200,000.....	81	0.89	0.81	97	0.64	0.53	46	0.47	0.64	19	0.36	0.43	26	1.11	0.78
\$200,000 to \$300,000.....	49	0.65	0.52	66	0.61	0.73	72	0.55	0.60	37	0.49	0.57	45	0.73	0.61
\$300,000 to \$500,000.....	52	0.64	0.67	83	0.73	0.62	72	0.65	0.55	57	0.54	0.67	131	0.35	0.34
\$500,000 to \$1,000,000.....	35	0.61	0.60	84	0.49	0.44	73	0.44	0.41	62	0.42	0.38	230	0.31	0.33
\$1,000,000 to \$5,000,000.....	19	0.52	0.60	48	0.39	0.41	49	0.49	0.40	72	0.42	0.42	256	0.33	0.33
\$5,000,000 and Over.....	—	—	—	—	—	—	8	0.23	0.30	12	0.19	0.25	37	0.20	0.26

When writing to advertisers please mention Credit & Financial Management

## Musical Treat Opens Credit Congress Program

### Miss Scoville Scores Big Hit with MacDowell's Concerto

**C**Those who were fortunate enough to attend the Credit Congress in Grand Rapids will long remember the delightful musical program on Sunday evening which was the opening event of the five day session. N. A. C. M. delegates and their friends packed the convention assembly room in the civic auditorium for this Sunday evening musical and came away enthused over the auspicious opening of the Credit Congress.

The musical was given by Miss Helen Scoville of New York City, a brilliant pianist, who is enjoying recognition as one of America's leading artists. The Olivet College symphony orchestra accompanied Miss Scoville in her rendition of MacDowell's Concerto Number Two and also presented Tschaikowsky's "Pathetique". The Olivet orchestra appeared at the special invitation of Executive Manager Heimann, who is a member of the Board of Trustees of Olivet College.

The following comment by the musical critic of the Grand Rapids *Herald* reports the artistic success of Miss Scoville's performance and also of the symphony program by the Olivet orchestra:

"Members of the National Association of Credit Men, meeting here in its 44th annual convention, Sunday evening heard a delightful concert in the black and silver room of the civic auditorium by Helen Scoville, pianist, and the Olivet College Symphony orchestra, conducted by Pedro Paz.

"Miss Scoville is a young American who has played abroad with success. She was heard for the first time in Grand Rapids Sunday night and proved to be a brilliant young musician with an imposing technical equipment and mature discernment.

"She chose to play MacDowell's 'Concerto No. 2 in D Minor.' An impressive quality of Miss Scoville's playing is her sonorous tone, admirably suited for the sweeping melodies of the work she played. She handled the rapid passage work most deftly, and proved herself mistress of a genuinely pearly trill, an ornament on which MacDowell makes considerable demands in this concerto.

"A delicious section of the concerto as Miss Scoville played it was the presto giocoso, genuinely joyous, played with an entrancing suggestion of the dance. The graver opening movement, filled with beautiful melody, and the vigorous close were intelligently and effectively done.

"The audience was delighted and fairly overwhelmed Miss Scoville with repeated calls back to the platform. Her first act on finishing the concerto was to shake hands cordially with Dr. Paz, whose orchestra had given her excellent support throughout the concerto.

"The orchestra, indeed, starred on its own account. Dr. Paz presented them in Tschaikowsky's 'Pathetique' symphony, an ambitious undertaking for any college orchestra, but one that the Olivet musicians came through with credit. Dr. Paz uses his orchestra cleverly, making the most of his every instrument, building his climaxes artfully, keeping the tempo where his young players are

secure and unflurried.

"The orchestra played with remarkable understanding and responsiveness. The 'Pathetique' symphony proved a very good choice for the program, and the audience, which filled the concert hall, was enthusiastic as they were, later, over Miss Scoville.

"Dr. Paz allowed his players to stand to share in the applause which greeted the symphony, an honor the musicians had well earned. Representatives of the St. Cecilia society were invited to hear this interesting concert with convention guests."

Miss Scoville, who in private life is the wife of Eduard Naumann, office manager at N. A. C. M. national office, New York, will be heard in concerts at the New York World's Fair in August.

## Accounting Information for Credit Purposes

(Continued from page 14) so under the new liberal management. The New York Stock Exchange is in a unique position to work out this problem by insisting upon cooperation from the American Institute of Accountants, and by direct suggestions to the managements of corporations whose securities are listed on the Big Board. The establishment of standard policies under such leadership would immediate widespread effect. Such a renaissance would be nothing more or less than carrying out one of the fundamental policies of the New York Stock Exchange over the years in determining sound accounting policies, such as: The announcement in 1926 that corporations whose stocks were listed in the future must agree to publish quarterly statements of earnings; the announcement in 1933 that dividends on treasury stock could no longer be taken into income; and the announcement in 1936 that stock dividends could no longer be taken into income in an amount greater than that charged against the earned surplus of the issuing corporation.

In the third instance, the solution to this problem is in the hands of the Securities and Exchange Commission, which, according to the Securities Act of 1933, has the authority to define "accounting, technical, and trade terms," and which is now getting its feet into this all-important problem. I say "all-important problem" deliberately, as every policy of the active management finds its way somewhere into the figures of a corporation—the excessive purchase of merchandise shows up in a heavy inventory; the acquisition of fixed property to be paid for in the future results in larger fixed assets and the creation of a funded debt; the payment of an insurance policy, in insurance expense in the profit and loss account; the purchase of postage stamps, in postage; and the payment of dividends, to a charge to surplus. In a very detailed way, the figures of a business are the exact reflection of detailed management policies. Perhaps after twenty-four centuries the philosophy of Pythagoras of the intrinsic importance of numbers is more true than in his own age and day.

In conclusion it may be said that accountants must remember that there should be different statements for different purposes. The accountant must be something more than the economic man of John B. Canning, that is he possesses a national mind but lacks legs of truth. In order to strengthen his legs he must depart from convention and orthodoxy and present statements treated in a manner to convey the precise idea wanted by the reader.<sup>8</sup>

<sup>8</sup> For novel statements from a credit viewpoint see the summer issue of the Southern California Business Review, 1938.

Part III of the Bad Debt Loss  
Study appears in August Issue

# The business thermometer:

Analysis of figures by Marketing Research Division, U. S. Dept. of Commerce

## Business moves forward

Business continued to move forward in May, but at a somewhat faster tempo than during preceding months. The first four months of this year had been characterized by rather moderate gains in sale, but almost all lines of trade and industry showed a strong forward movement in May.

Two of the most important factors in the sales revival were undoubtedly the residential construction situation and the maintenance of consumer purchasing. Residential contracts held up very well in May, resulting in an increased demand for various lines of durable goods.

The retail sales picture in May was particularly heartening. Department store sales, on a daily average basis, were up about 9 percent from May 1938. Variety store sales were  $5\frac{1}{2}$  percent higher than last year, while sales of general merchandise in small towns and rural areas led all kinds of retail selling with an increase of 16 percent in daily turnover from May of last year.

The continued flow of merchandise

through retail outlets undoubtedly contributed much to stimulate the increased activity in industry and wholesale trade. Government spending in consumption channels has been a strong factor in the maintenance of retail sales.

## Manufacturers sales up 19%

Each of the 14 industry groups for which data are collected for these monthly business reviews reported increased sales from last May. The Motor vehicle parts industry and iron and steel mills with increases of 49 and 46 percent respectively showed the greatest gains from last year. The percentage changes for these two industries are naturally strongly affected by the sharp curtailment in activity which characterized them at this time last year. It was during last May that many of the heavy industries and producers of durable goods scraped bottom.

While the importance of the marked gains shown by the heavy industries cannot be underestimated, the more modest increases in sales of non-durable consumption goods should not be lost sight of.

Sales of food and kindred products were up 10 percent while petroleum sales were up  $3\frac{1}{2}$  percent. These less spectacular gains are none the less encouraging since they were registered by industries whose fluctuations ordinarily do not assume the proportions of those recorded by the durable goods industries. It will be remembered that sales of these non-durable consumption products held up relatively well during the 1938 depression and therefore comparisons with last year must be interpreted in this light.

Sales for all lines of manufacturing combined increased about 5 percent from April. This upward movement is one which was in contradistinction to the sales changes which have occurred between these two months for the past several years. Manufacturers sales declined from April to May in each of the three previous years.

## Wholesale sales up 12%

Wholesale distribution channels exhibited the same forward movement in sales as characterized industrial operation and retail trade during May. More than 3,000

## All survey figures collected and compiled by U. S. Bureau of Census MANUFACTURERS' sales and collections on accounts receivable, May 1939

Industry	Number of firms reporting sales	May Dollar Sales			Number of firms reporting credit data	Collection Percentages*			Total Accounts Receivable		
		Percent change May 1939 from		May 1939 (000's)		May 1939	May 1938	April 1939	Percent change May 1, 1939 from		As of May 1, 1939 (000's)
		May 1938	April 1939						May 1, 1938	April 1, 1939	
Food and kindred products, total.....	408	+ 9.7	+ 1.9	\$60,967	288	129	124	121	+10.8	+ 2.4	\$44,561
Confectionery.....	203	+ 8.2	+ 6.4	14,644	116	127	116	115	+ 1.7	*- 7.8	7,315
Flour, cereals and other grain mill products.....	27	+ 5.0	+ 8.5	5,738	23	152	144	125	+ 1.6	+ 3.7	4,145
Meat packing.....	24	+ 1.5	+ 9.6	5,525	22	187	178	173	+ 2.6	+11.2	2,786
Distilled liquors.....	7	+17.4	+14.9	2,157	7	81	81	86	+11.8	+ 4.2	4,266
Malt liquors.....	10	+15.3	+17.0	6,727	7	188	165	166	+ 3.5	+ 1.2	2,971
Wine.....	27	+ 2.7	+ 3.6	1,159	20	59	63	56	+14.1	+ 2.7	1,922
Other food products.....	110	+15.1	+ 2.3	25,017	93	126	122	122	+19.4	+ 8.4	21,206
Textiles and their products, total.....	123	+20.0	+ 1.6	23,401	115	67	62	64	*- 0.7	+ 2.9	35,234
Clothing, men's, except hats.....	31	+30.2	+ 2.6	5,139	29	46	45	47	+ 1.7	+ 7.3	9,765
Clothing, women's, except millinery.....	21	+20.7	+ 7.7	1,426	19	76	72	67	+ 4.7	+ 8.3	1,873
Knit goods.....	11	+28.8	+ 3.8	2,217	11	76	67	75	+ 4.1	+ 4.8	2,811
Other textile products.....	60	+15.5	+ 2.2	14,619	56	74	68	70	+ 0.2	+ 6.4	20,785
Forest products, total.....	69	+24.5	+ 5.4	5,206	66	71	68	66	+ 7.4	+ 8.1	6,835
Furniture.....	36	+17.5	+ 2.6	2,624	34	61	58	58	+ 8.1	+ 0.9	4,187
Lumber, timber, and other miscellaneous forest products.....	33	+32.5	+ 8.4	2,582	32	87	83	80	+ 6.3	+22.0	2,648
Paper and allied products, total.....	97	+10.6	+ 6.4	12,561	85	100	100	93	+ 7.4	+ 3.1	11,510
Paper, writing, books, etc.....	25	+14.8	+ 0.6	1,659	17	81	76	79	+12.1	+ 3.7	1,868
Paper, boxes and other paper products.....	60	+ 9.7	+ 7.2	7,906	58	103	104	97	+ 5.5	+ 3.1	7,209
Wax paper.....	12	+10.8	+ 7.5	2,996	10	106	106	93	+ 9.9	+ 2.8	2,433
Printing, publishing and allied industries.....	60	+16.2	+ 2.0	2,478	54	71	68	70	+ 6.3	+ 1.9	3,787
Chemicals and allied products, total.....	120	+20.7	+12.6	17,415	110	72	69	69	+ 9.2	+ 2.2	22,777
Paints and varnishes.....	63	+19.5	+24.8	5,182	59	58	56	53	+ 5.3	+ 3.8	9,355
Pharmaceuticals and proprietary medicines.....	19	+24.9	+ 3.4	1,334	18	69	66	70	+13.1	+ 0.3	1,776
Other chemical products.....	38	+20.8	+ 8.8	10,899	33	84	80	82	+11.9	+ 1.2	11,646
Petroleum.....	14	+ 3.5	+ 6.8	37,773	12	117	117	106	+ 0.4	+ 3.8	22,143
Rubber products.....	15	+14.3	+ 3.9	2,931	14	55	56	51	+23.6	+ 3.0	5,826
Leather and its products, total.....	107	+17.8	+ 0.4	21,721	98	59	54	56	+ 5.0	+10.6	43,214
Boots and shoes.....	44	+16.9	+ 0.7	15,128	41	52	50	50	+ 4.1	+11.0	35,972
Leather: tanned, curried, and finished.....	40	+17.0	+ 0.7	5,579	36	93	80	89	+ 8.6	+ 9.5	6,180
Other leather products.....	23	+38.9	+18.3	1,014	21	82	76	77	+20.4	+ 4.1	1,062
Stone, clay, and glass products.....	56	+19.7	+16.5	11,006	53	86	82	81	+10.5	+ 3.1	11,394
Iron and steel and their products, total.....	167	+46.4	+ 2.5	46,566	156	87	81	87	+27.6	+ 4.0	53,404
Hardware.....	18	+33.7	+12.2	3,355	17	77	76	68	+34.3	+ 1.9	4,082
Stoves, ranges, steam heating apparatus.....	23	+25.7	+29.8	2,365	23	60	53	60	+ 0.1	+ 1.5	3,190
Other iron and steel products.....	126	+49.0	+ 0.5	40,846	116	89	84	90	+29.5	+ 4.4	46,132
Non-ferrous metals and their products, total.....	53	+33.5	+12.3	9,347	50	72	66	67	+16.7	+ 4.8	12,370
Jewelry and jewelers' supplies.....	28	+21.7	+ 4.5	3,696	26	61	59	58	+19.8	+ 4.6	5,990
Other non-ferrous metals.....	25	+42.6	+18.1	5,651	24	83	73	76	+13.9	+ 4.9	6,380
Machinery, not including transportation equipment, total.....	213	+21.7	+ 4.4	53,835	190	61	61	61	+11.9	+ 2.9	51,769
Electrical machinery, apparatus and supplies.....	96	+20.8	+ 5.1	37,441	83	61	62	62	+14.7	+ 3.9	31,307
Other machinery, apparatus and supplies.....	117	+23.7	+ 2.9	16,394	107	62	58	60	+11.9	+ 2.9	51,769
Motor-vehicle parts.....	42	+48.6	+ 5.5	5,376	38	81	75	82	+21.0	+ 1.6	7,162
Miscellaneous industries.....	75	+19.4	+15.4	11,552	63	75	75	73	+ 5.2	+ 0.8	12,450
Total.....	1,619	+19.2	+ 4.7	322,135	1,392	82	79	78	+10.4	+ 1.3	344,436

\* Collection percentages are obtained by dividing collections by accounts receivable for an identical group of firms.

Increases ranged up to 49 percent for distributors of farm supplies. Wholesalers

The increases in the furniture and building materials trades are in line with the residential construction situation as discussed in the first part of this article.

Despite the sales increases from last year, wholesale inventories remained be-

low the level of May 1938. The 4 percent decline in the inventory level coupled with a 12 percent increase in sales resulted in a stock sales ratio well below the level of May of last year. Further, the ratio showed a substantial decline from April 1939. The ratios were 162 percent, 189 percent, and 182 percent for May 1939, May 1938 and April 1939, respectively.

### WHOLESALESALES' sales and inventories, May 1939

Kind of Business	Dollar Sales			May 1939 (000's)	End of Month Inventories (Cost)			Stock-Sales Ratio#			
	Number of firms reporting sales	Percent change May 1939 from			Number of firms reporting stocks	Percent change May 1939 from		May 31, 1939 (000's)	May 1939	May 1938	April 1939
		May 1938	April 1939			May 1938	April 1939				
Automotive supplies	211	+14.6	+ 5.0	\$3,408	95	- 4.5	- 0.9	\$3,965	243	298	264
Chemicals.....	14	+16.7	+ 5.2	707	10	- 4.9	- 2.1	562	106	129	116
Paints and varnishes	35	+10.2	+15.9	2,413	13	- 9.1	- 6.9	801	167	203	243
Clothing and furnishings, except shoes	49	+19.7	-25.4	1,519	28	+ 0.2	- 1.4	1,186	198	229	168
Shoes and other footwear	42	+ 6.4	+ 2.1	10,430	26	+ 2.2	- 6.1	6,429	139	97	72
Coal.....	14	+29.3	+ 8.8	2,698	5	-40.5	-30.7	970	45	97	72
Drugs and drug sundries##	76	+11.0	+ 6.3	5,563	46	- 0.2	- 2.4	9,787	194	220	214
Without liquor department.....	57	+11.0	+ 5.8	5,392	32	+ 2.1	- 0.4	5,389	192	214	206
With liquor department.....	19	+10.9	+ 7.1	3,171	14	- 2.9	- 4.8	4,398	197	228	224
Dry goods.....	130	+16.8	+11.1	11,320	78	+ 7.2	- 2.9	20,930	255	316	298
Electrical goods.....	355	+23.2	+17.0	21,940	294	+ 2.6	- 1.5	22,011	112	134	133
Dairy and poultry products.....	24	- 7.3	+ 5.1	2,389	14	+ 0.0	- 1.3	988	71	69	75
Fresh fruits and vegetables.....	80	+ 7.8	+11.4	2,410	56	+ 4.7	- 4.9	447	27	28	33
Farm supplies.....	9	+48.6	-37.8	694	4	+ 4.3	-18.4	217	134	184	157
Furniture and house furnishings	52	+31.6	+19.1	3,912	28	+ 1.7	- 1.1	4,966	183	244	222
Groceries and foods, except farm products.	777	+ 4.6	+ 8.7	53,840	427	- 2.7	- 2.0	44,348	155	165	170
Meats and meat products.....	69	+13.8	+ 0.2	13,352	45	+12.1	+ 3.0	1,237	35	37	41
Beer.....	36	+10.5	+23.1	608	27	+ 0.8	+18.3	123	26	29	27
Wines and spirituous liquors	27	- 9.9	+ 2.9	2,833	18	-18.0	- 9.6	3,975	153	167	173
Total hardware.....	452	+16.6	+12.2	31,954	290	- 3.1	- 0.6	56,430	249	302	281
General hardware.....	160	+15.4	+11.5	20,287	106	- 2.6	- 0.6	40,671	270	319	305
Heavy hardware.....	24	+18.6	+ 2.4	1,265	17	+ 1.1	- 0.4	1,879	237	280	226
Industrial supplies*.....	133	+17.3	+10.0	5,417	81	- 5.5	0.0	8,885	229	292	258
Plumbing and heating supplies.....	135	+20.2	+20.6	4,985	86	- 4.4	- 1.2	4,995	171	222	205
Jewelry.....	48	+18.3	+ 5.3	1,536	24	+ 7.6	- 4.2	2,576	373	449	380
Optical goods.....	10	+14.8	- 3.1	93	—	—	—	—	—	—	—
Lumber and building materials.	44	+34.9	+18.5	4,565	27	+ 3.4	- 3.3	3,099	129	178	168
Machinery, equipment and supplies, except electrical.....	70	+12.3	+19.2	2,171	38	-16.5	- 4.8	3,733	244	323	305
Surgical equipment and supplies.....	39	+17.6	+ 4.6	735	22	- 0.7	+ 0.1	882	195	220	198
Metals.....	22	+32.3	+ 0.1	2,243	16	- 8.1	+ 0.3	3,929	222	330	227
Paper and its products.....	107	+12.7	+ 4.0	4,532	55	- 4.3	- 0.9	4,448	187	215	193
Petroleum.....	15	+ 4.9	+12.6	3,509	9	- 2.4	- 5.2	1,428	62	64	71
Tobacco and its products.....	182	+ 6.0	+12.1	14,547	67	- 6.8	+ 7.8	3,787	51	58	54
Leather and shoe findings.....	13	- 4.7	- 0.8	262	4	-21.6	-13.9	105	328	353	330
Miscellaneous.....	39	+ 8.4	+ 5.1	3,749	28	-12.7	+ 5.6	5,320	165	201	164
Total.....	3,044	+11.8	+ 8.8	213,143	1,797	- 3.9	- 1.8	208,852	162	189	182

\*\* Insufficient data to show separately.

## Total Sales, including liquors, wines, etc.

**WHOLESALE**

### WHOLESALESAERS' accounts receivable and collections, May 1939

Kind of Business	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
		May 1939	May 1938	April 1939	Percent change May 1, 1939 from		As of May 1, 1939 ('000's)
					May 1, 1938	April 1, 1939	
Automotive supplies.....	163	67	63	63	+ 1.6	+ 0.7	\$3,291
Chemicals.....	13	64	63	67	+10.3	+ 2.1	914
Paints and varnishes.....	33	55	55	46	+ 5.4	+ 4.3	3,544
Clothing and furnishings, except shoes.....	45	51	40	46	-12.9	-12.1	4,142
Shoes and other footwear.....	39	50	45	46	- 1.5	- 8.2	12,677
Coal.....	14	69	58	69	+ 3.3	-13.3	4,065
Drugs and drug sundries.....	62	78	73	74	+ 2.7	- 2.3	8,207
Without liquor department.....	46	71	66	69	+ 2.2	- 2.5	5,236
With liquor department.....	16	90	85	83	+ 3.6	- 1.9	2,971
Dry goods.....	117	50	46	44	+ 1.7	- 4.2	21,782
Electrical goods.....	325	79	73	73	+ 5.7	+ 3.7	24,044
Dairy and poultry products.....	22	140	134	130	- 3.4	+ 1.7	1,464
Fresh fruits and vegetables.....	61	156	152	153	+ 1.7	+ 8.7	1,080
Farm supplies.....	6	89	78	91	+22.0	+ 1.4	1,108
Furniture and house furnishings.....	44	57	54	52	+15.3	+ 4.9	5,651
Groceries and foods, except farm products.....	614	98	95	94	- 0.1	- 0.3	41,359
Meats and meat products.....	56	187	172	177	+ 9.1	+ 1.1	6,791
Beer.....	20	105	103	93	- 3.2	+12.0	149
Wines and spirituous liquors.....	25	102	96	96	-12.6	- 0.2	2,533
Total hardware group.....	419	56	53	53	+ 3.7	+ 2.6	47,519
General hardware.....	149	54	51	50	+ 1.8	+ 3.0	32,648
Heavy hardware.....	22	73	67	79	+ 6.3	- 0.6	1,152
Industrial supplies**.....	119	63	62	61	+ 9.7	- 0.4	6,733
Plumbing and heating supplies.....	129	57	55	54	+ 7.6	+ 4.0	6,986
Jewelry.....	39	22	20	21	+ 6.3	+ 2.9	3,849
Optical goods.....	9	54	51	58	+13.7	- 1.3	149
Lumber and building materials.....	41	75	68	72	+10.7	+ 6.7	5,038
Machinery, equipment and supplies, except electrical.....	55	53	48	51	- 2.3	+ 1.0	2,758
Surgical equipment and supplies.....	38	45	44	45	+ 4.7	- 1.2	1,395
Metals.....	21	82	73	83	+15.3	+ 6.2	2,652
Paper and its products.....	92	62	61	61	+ 2.3	- 3.8	6,330
Petroleum.....	12	95	89	88	+ 0.7	+ 0.5	2,771
Tobacco and its products.....	123	125	120	117	+ 0.5	+ 3.8	8,387
Leather and shoe findings.....	11	41	40	43	- 1.4	+ 2.7	498
Miscellaneous.....	36	100	91	91	0.0	- 8.9	3,353
Total.....	2,557	76	71	71	+ 2.5	- 0.3	227,681

\*\* This heading also includes distributors of mill, mine and steam supplies.

percent  
ed with  
lted in  
level of  
e ratio  
a April  
nt, 189  
y 1939,  
vely.

April 1939	May 1939 (s)
264	91
116	14
243	44
168	42
143	67
72	71
214	82
206	44
224	64
298	80
133	08
33	51
157	59
222	91
170	33
41	19
27	52
173	33
281	48
305	45
226	56
258	49
205	58
180	95
—	30
468	71
305	53
198	08
227	87
193	20
71	32
54	50
330	58
164	93
182	58
	81

- Insufficient data to show separately.

- Insufficient data to show separately.

# WHOLESALEERS' accounts receivable and collections, by geographic regions, May 1939

Kind of Business and Region	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
		May 1939	May 1938	April 1939	Percent change May 1, 1939 from		As of May 1, 1939 (000's)
					May 1, 1938	April 1, 1939	
New England.....	157	70	65	66	+ 0.1	- 2.8	\$12,785
Electrical goods.....	32	78	79	71	+ 5.5	+ 4.0	1,405
Groceries and foods, except farm products.....	28	79	69	74	- 8.0	- 0.5	2,244
Industrial supplies**.....	14	57	55	63	+18.0	+ 9.0	531
Plumbing and heating supplies.....	10	46	44	41	+ 2.2	+ 2.2	410
Tobacco and its products.....	12	124	120	125	- 3.4	+ 5.5	1,082
Middle Atlantic.....	578	84	79	77	+ 0.5	- 1.4	50,107
Automotive supplies.....	27	52	52	53	+ 0.9	- 0.5	772
Clothing and furnishings, except shoes.....	17	55	37	46	-15.9	-14.1	2,982
Shoes and other footwear.....	11	46	43	42	+ 3.6	- 4.9	2,073
Drugs (without liquor department).....	10	64	59	63	- 2.6	- 3.8	1,616
Dry goods.....	42	58	54	50	+10.1	- 7.8	5,003
Electrical goods.....	72	85	77	78	+ 1.9	+ 7.8	4,485
Fresh fruits and vegetables.....	10	247	211	202	+ 3.1	+ 3.8	135
Furniture and house furnishings.....	10	55	54	50	+11.1	- 2.5	968
Groceries and foods, except farm products.....	90	99	100	95	+ 1.1	- 1.2	7,761
Meats and meat products.....	17	170	163	172	+11.9	+ 4.8	2,715
Beer.....	7	104	115	85	+20.0	+ 9.1	72
General hardware.....	31	48	46	43	0.0	+ 6.2	3,687
Heavy hardware.....	7	67	62	60	+ 9.7	+ 5.0	544
Industrial supplies**.....	34	67	57	60	- 5.4	- 9.7	1,638
Plumbing and heating supplies.....	49	51	52	50	+ 6.2	+ 4.3	2,072
Jewelry.....	12	21	16	17	+ 3.2	+ 0.7	683
Lumber and building materials.....	12	65	59	58	- 8.1	+ 5.8	1,196
Surgical equipment and supplies.....	7	31	31	31	+10.2	- 1.5	271
Metals.....	5	88	83	94	+30.9	+12.1	1,390
Paper and its products.....	26	62	66	62	+ 4.4	- 4.8	2,043
Tobacco and its products.....	37	136	129	124	- 4.4	+ 4.9	3,581
East North Central.....	486	74	68	68	+ 2.2	+ 1.1	42,794
Automotive supplies.....	42	73	63	65	+ 2.1	- 2.6	596
Paints and varnishes.....	12	32	35	23	+ 8.2	+ 9.9	631
Clothing and furnishings, except shoes.....	8	64	57	59	- 4.1	- 9.1	399
Drugs (without liquor department).....	7	71	67	69	+ 3.5	- 2.2	936
Dry goods.....	11	51	44	45	- 2.8	- 0.7	1,833
Electrical goods.....	62	75	70	68	+ 2.6	+ 3.1	6,924
Fresh fruits and vegetables.....	12	143	142	141	+ 2.6	+12.0	318
Groceries and foods, except farm products.....	98	96	89	90	- 3.4	- 2.4	8,014
Meats and meat products.....	14	149	118	134	- 1.3	+ 9.2	804
General hardware.....	23	58	55	50	+ 0.2	+ 4.6	7,289
Industrial supplies**.....	27	69	66	64	+19.2	+ 0.3	1,865
Plumbing and heating supplies.....	19	59	58	56	+ 9.5	+ 5.2	1,364
Jewelry.....	15	23	21	22	+ 8.3	+ 5.8	1,967
Lumber and building materials.....	8	66	62	62	+ 8.0	+ 4.4	569
Machinery, equipment and supplies, except electrical.....	12	75	63	63	+ 8.5	- 2.8	281
Surgical equipment and supplies.....	7	56	51	57	+ 5.3	0.0	375
Metals.....	9	74	60	72	- 6.5	+ 1.7	778
Paper and its products.....	25	67	61	65	- 1.4	- 7.1	1,944
Tobacco and its products.....	29	127	117	116	+ 4.1	+ 2.5	1,659
West North Central.....	281	77	69	71	+ 1.1	- 2.1	39,375
Automotive supplies.....	14	63	59	62	+11.9	+ 0.7	432
Dry goods.....	11	49	46	44	- 0.5	- 5.2	6,772
Electrical goods.....	35	81	66	72	- 5.9	+ 2.8	2,673
Fresh fruits and vegetables.....	9	176	166	179	- 0.6	+ 9.8	157
Furniture and house furnishings.....	7	62	59	54	+23.2	+12.4	1,888
Groceries and foods, except farm products.....	77	124	115	113	- 3.7	- 1.1	4,054
Meats and meat products.....	8	223	203	201	+ 6.5	- 5.9	2,358
General hardware.....	15	56	51	49	+ 2.1	+ 2.3	6,584
Heavy hardware.....	7	102	82	131	+ 2.9	-10.6	245
Industrial supplies**.....	11	52	55	50	+16.7	+ 8.6	658
Plumbing and heating supplies.....	11	57	54	54	- 0.2	+ 5.1	636
Machinery, equipment and supplies, except electrical.....	7	60	54	58	+17.1	- 3.0	164
Paper and its products.....	7	69	67	61	+ 3.2	- 3.4	287
South Atlantic.....	273	70	69	67	+ 8.4	- 1.2	17,673
Automotive supplies.....	12	69	63	72	+ 7.7	- 2.3	252
Drugs (without liquor department).....	10	80	78	80	+10.1	- 2.0	1,039
Dry goods.....	10	42	40	40	- 4.1	- 4.0	1,386
Electrical goods.....	43	79	79	72	+34.8	- 0.2	2,878
Fresh fruits and vegetables.....	14	118	120	124	+14.5	+10.0	276
Groceries and foods, except farm products.....	80	98	98	94	+ 4.7	+ 1.9	3,205
General hardware.....	25	47	43	46	+ 3.3	- 1.5	2,930
Industrial supplies**.....	11	46	54	53	+ 8.3	- 0.9	545
Plumbing and heating supplies.....	20	59	59	56	+11.1	+ 2.5	1,138
Paper and its products.....	8	66	62	62	- 1.9	- 4.0	457
Tobacco and its products.....	9	88	88	82	+13.5	+ 1.1	546
East South Central.....	124	67	61	65	+ 4.6	- 0.1	12,117
Dry goods.....	13	40	38	39	+ 0.8	- 4.3	1,848
Electrical goods.....	13	85	73	79	+ 9.8	- 4.1	795
Groceries and foods, except farm products.....	38	94	94	90	+ 4.7	+ 1.2	2,000
General hardware.....	14	54	51	55	+ 1.0	+ 0.6	3,128
West South Central.....	234	72	72	70	+ 2.7	- 0.1	17,436
Automotive supplies.....	8	61	71	67	+15.8	+10.4	117
Dry goods.....	9	42	39	39	+ 0.3	- 3.1	2,923
Electrical goods.....	21	79	80	79	- 7.0	- 3.1	627
Groceries and foods, except farm products.....	125	93	96	93	+ 4.1	+ 1.7	6,823
General hardware.....	16	65	60	63	+ 8.0	+ 1.5	2,376
Machinery, equipment and supplies, except electrical.....	7	28	24	32	- 9.1	- 7.0	974
Tobacco and its products.....	8	97	92	91	+ 4.7	+ 4.1	202
Mountain.....	104	75	70	71	+ 1.9	+ 5.7	6,552
Automotive supplies.....	8	55	52	51	+ 6.6	+ 5.6	209
Electrical goods.....	13	34	86	76	+42.5	+ 9.3	731
Fresh fruits and vegetables.....	6	143	150	133	-17.9	+ 9.5	23
Groceries and foods, except farm products.....	32	92	81	87	-13.0	- 0.3	1,667
General Hardware.....	6	50	47	47	+ 3.3	+ 4.9	881
Pacific.....	321	76	73	72	+ 5.5	+ 2.8	28,844
Automotive supplies.....	50	44	37	41	- 5.4	- 2.3	384
Shoes and other footwear.....	6	53	51	50	+ 4.9	+ 5.3	1,322
Dry goods.....	34	79	73	75	+ 4.4	+ 5.8	3,526
Electrical goods.....	11	153	145	138	+ 6.3	+ 5.7	726
Dairy and poultry products.....	11	55	53	52	+16.6	+ 5.5	1,218
Furniture and house furnishings.....	46	99	99	95	+ 4.4	+ 0.2	5,591
Groceries and foods, except farm products.....	8	187	184	170	+24.0	+ 3.4	614
Meats and meat products.....	10	94	98	90	+11.3	+ 2.3	721
Wines and spirituous liquors.....	16	52	48	49	+ 2.1	+ 3.8	5,454
General hardware.....	10	55	59	56	+16.6	+ 9.0	422
Industrial supplies**.....	13	67	61	63	+10.5	+ 1.4	1,024
Plumbing and heating supplies.....	11	60	59	58	+22.8	- 2.2	658
Lumber and building materials.....	12	48	52	49	+ 3.4	+ 8.7	488
Machinery, equipment and supplies, except electrical.....	10	42	42	41	+ 3.0	- 1.5	575
Paper and its products.....	16	103	104	99	+ 9.9	+ 1.6	977
Tobacco and its products.....							

\* Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms.

\*\* This heading also includes distributors of milk, mine and steam supplies.

STATES COMPRISING REGIONS: New England—(Conn., Me., Mass., N. H., R. I., Vt.); Middle Atlantic—(N. J., N. Y., Pa.); East North Central—(Ill., Ind., Mich., Ohio, Wisc.); West North Central—(Iowa, Kans., Minn., Mo., Nebr., N. Dak., S. Dak.); South Atlantic—(Del., D. C., Fla., Ga., Md., N. Car., S. Car., Va., W. Va.); East South Central—(Ala., Ky., Miss., Tenn.); West South Central—(Ark., La., Okla., Texas); Mountain—(Aris., Colo., Idaho, Mont., Nev., N. Mex., Utah, Wyo.); Pacific—(Cal., Ore., Wash.).